



# IRS Nationwide Tax Forum | 2022

Looking to Tax Year 2022: American Rescue Plan Tax Changes  
to the Earned Income Tax Credit and Other Child-Related Credits

Wednesday, August 3, 2022

Start Time: 2:00 p.m. Eastern / 1:00 p.m. Central  
12 Noon Mountain / 11:00 a.m. Pacific

*Note: You should be hearing music while waiting for webinar to start.*

**Having Technical Issues?**

View the “Technical Issues” troubleshooting guide in the Materials drop-down menu on the left side of this page

## Today our webinar will:

- Explore the eligibility rules for:
  - Earned Income Tax Credit (EITC),
  - Child Tax Credit (CTC), Additional Child Tax Credit (ACTC), Other Dependent Credit (ODC),
  - American Opportunity Tax Credit (AOTC) and
  - Head of Household (HOH) filing status for 2022 returns
- Outline due diligence responsibilities when filing returns claiming the EITC, CTC/ACTC/ODC, AOTC, and HOH filing status
- Explain how to avoid common errors when claiming the applicable tax benefits
- Address some of the questions most frequently asked by tax professionals
- Share IRS refundable credits online resources for tax professionals



# EITC – Temporary Provisions for 2021 Returns

Age Limits Modified

Earned Income Limits and Credit Phase-Out Limits  
Increased Significantly

Credit Amount Nearly Tripled for Workers Without  
Qualifying Children

Use of Prior Year Income was Allowed (Look Back  
Provision)



## EITC – Permanent Provisions for 2022 Returns and Beyond

Investment income taxpayers can receive and still be eligible for EITC increases to \$10,000.

Claim EITC without a qualifying child when the child does not have a valid SSN.

Married but separated spouses who do not file a joint return may qualify to claim EITC.



## EITC – Eligibility Rules for Married, but Not Filing Joint taxpayers

Married filers usually file a joint return to claim EITC. However, married filers not filing a joint return can claim EITC if they have a qualifying child and either:

- Lived apart from their spouse for the last 6 months of the tax year for which EITC is being claimed, or
- Are legally separated according to their state law under a written separation agreement or decree of separate maintenance and did not live in the same household as their spouse at the end of the tax year for which EITC is being claimed.



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## EITC – Eligibility Rules for Everyone

- Must Have a Valid Social Security Number (SSN)
- Must Meet Certain Rules if Separated From Spouse
- Must Be a U.S. Citizen or Resident Alien All Year
- Must Not File a Joint Return if Separated From Spouse



## EITC – Eligibility Rules for Everyone, *Continued*

- Adjusted Gross Income (AGI) Must Be Less Than the Applicable Limits
- Must Not File Form 2555
- Investment Income Must be \$10,000 or Less
- Must Have Earned Income



## EITC – Eligibility Rules for Clients With a Qualifying Child

- Child must meet the relationship, age, residency and joint return tests
- Child cannot be used by more than one person
- Your client cannot be a qualifying child of another taxpayer



# EITC – Eligibility Rules for Clients With a Qualifying Child

Your client's child is a qualifying child if the child meets four tests.

The four tests are:

## Relationship

Son, daughter, adopted child, stepchild, foster child or a descendant of any sibling or their descendants, including by marriage

## Age

Younger than your client (or your client's spouse if filing a joint return), and under age 19 at the end of the year, or a full-time student under the age of 24, can be older than your client and any age if the qualifying child is permanently and totally disabled

## Residency

Lived with your client (or the client's spouse if joint return) for more than half the year in the U.S.

## Joint Return

- Did not file a joint return, or
- Filed jointly only to claim a refund of income tax withheld or estimated tax paid and neither child nor the child's spouse are required to file



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## EITC – Eligibility Rules for Clients Without a Qualifying Child

- Your Client Must Meet the Age Requirements
- Your Client Cannot Be the Dependent of Another Person
- Your Client Cannot Be a Qualifying Child of Another Taxpayer
- Your Client Must Have Lived in the United States More Than Half of the Year



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## EITC – Common Errors

- Child doesn't meet the qualifying child requirements
- Client is not eligible for filing status on return
- Income and expenses are over or underreported



# EITC – Frequently Asked Questions

What if my client has the same qualifying child as someone else?

- If two or more persons have the same qualifying child for EITC, only one person can claim the child as a qualifying child for EITC. Special rules apply for parents who are divorced, separated or who are living apart. See Publication 596 for more information.
- A person who is not the parent of the child must have a higher adjusted gross income (AGI), than the parent. Otherwise, the two or more persons with the qualifying child can decide who will claim EITC for the qualifying child. If everyone cannot agree, and more than one person uses the same child, the tie-breaker rules apply.



# EITC – Tie-Breaker Rules

Under the tie-breaker rules, the child is treated as a qualifying child for:

The parent, if only one of the persons is the child's parent

The parent with whom the child lived the longest during the tax year, if two of the persons are the child's parent and they do not file a joint return together

The parent with the highest AGI if the child lived with each parent for the same amount of time during the tax year, and they do not file a joint return together

The person with the highest AGI, if no parent claims the child as a qualifying child, but only if the non-parent's AGI is higher than the highest AGI of any parent who may claim the child or

The person with the highest AGI, if no parent may claim the child



# EITC – Frequently Asked Questions

Can you clarify how the “treated as unmarried” definition changes eligibility for EITC?

Per the American Rescue Plan legislation, a married individual can be considered unmarried for the purpose of claiming EITC with a qualifying child, provided they meet certain requirements.

Previously, a taxpayer who was married filing separately could not claim EITC with or without a qualifying child.

# EITC – Frequently Asked Questions

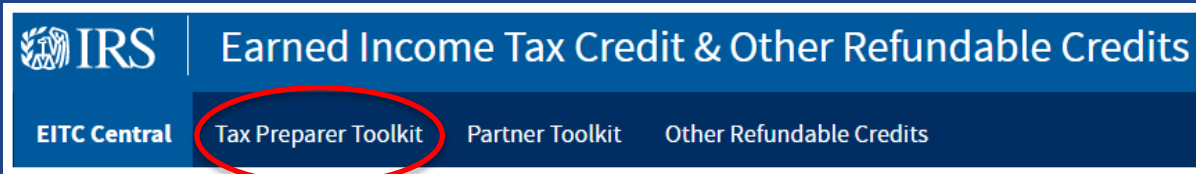
Can you clarify who qualifies for EITC at age 19 and 24?

For tax year 2021 only:

- A specified eligible student at age 24
- A person younger than 19, if homeless or a former foster youth
- A taxpayer without a qualifying child if they are 19 years or older
- A specified student below age 24 with a qualifying child



# EITC Tax Preparer Toolkit Resources



## Welcome to the Tax Return Preparer Toolkit

### About Refundable Credits for Preparers

Hot Topics for Return  
Preparers

Preparer Due Diligence

Due Diligence Training  
Module

### Tools and Tips

Form 886-H-EIC Toolkit

Child Related Tax Benefit  
Comparison

Social Media and EITC

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# Form 886-H-EIC Templates



## Sample Template for Use by Schools

**Note:**

Ask the school to use this template on the school's letterhead and input the needed information to replace the guidelines in the brackets <> and the brackets.

<Insert Today's Date>

<Insert Parent/Guardian's Name and Address>

Re: <Insert Child's Name>

To Whom It May Concern:

According to our records, <Child's Name> attended <Name of School> during the <Insert the Months the Student Attended during the Year on the Notice>. Our records reflect that the student lived at <Street Address, City, State, and Zip Code (if the child moved during the year, put all listed addresses)> during this time.

Our records also reflect that the student's parent or guardian during this time was <Insert Parent's or Guardian's Name(s)>. The student's parent's or guardian's address of record during this time was listed as <Insert Parent's or Guardian's Address(es)>.

Sincerely,

<Insert Signature of School Official>

<Insert Name of School Official>

<Insert Title of School Official>

<Insert Phone Number of School Official>



# Form 886-H-EIC Templates, *continued*



## Sample Template for Use by Healthcare Providers



**Note:**

Ask your healthcare provider's office to copy this template to the practice's letterhead and input the needed information to replace the guidelines in the brackets <> and the brackets.

<Insert Today's Date>

<Insert Parent/Guardian's Name and Address>

Re: <Insert Child's Name>

To Whom It May Concern:

According to our records <Child's Name> was a patient of <Name of Your Practice> during <Insert The Tax Year From The Notice>.

Our records reflect that the child lived at

<Street Address,  
City, State,  
Zip Code (if the child moved during the year show all addresses)>

from

<Time Period Child Was A Patient>, and that the child received service on  
<Insert the Dates You Provided Services During the Tax Year on the Notice>.

Our records also reflect that the child's parent or guardian during this time was

<Parent's or Guardian's Name(s)>.

The child's parent's or guardian's address of record during this time was listed as

<Parent's or Guardian's Address(es)>.

# Form 886-H-EIC Templates, *continued*



## Sample Template for Use by Childcare Providers

**Note:**

Ask your primary childcare provider to copy the template below to its letterhead and input the needed information to replace the guidelines in the brackets <> and the brackets.

<Insert Today's Date>

<Insert Parent/Guardian's Name and Address>

Re: <Insert Child's Name>

To Whom It May Concern:

Our records show we provided service(s) to <Child's Name> at <Name of Care Provider> on the following date(s) <Insert the Date(s) You Provided Service(s) for the Tax Year On the Notice>.

Our records reflect that the child lived at <Street Address, City, State, Zip Code (if the child moved during the year show all addresses)> during this time. Our records also reflect that the child's parent or guardian during this time was <Insert Parent's or Guardian's Name(s)>. The child's parent's or guardian's address of record during this time was listed as <Insert Parent's or Guardian's Address(es)>.

Sincerely,

<Insert Signature of School/Day Care Official>

<Insert Title of School/Day Care Official>

<Insert Phone Number of School/Day Care Official>



## CTC – Temporary Provisions for 2021 Returns

- \$3,000 per child – or – \$3,600 per child under age 6 (was \$2,000)
- Full CTC is refundable if the filer’s main home was in U.S. for more than half the year
- Increased credit amount in excess of \$2,000 per child phases out when modified adjusted gross income exceeds:
  - \$150,000 Married Filing Jointly or Qualifying Widow(er)
  - \$112,500 Head of Household
  - \$75,000 Married Filing Separately or Single
- Remaining credit of \$2,000 per child is not reduced until modified AGI exceeds:
  - \$400,000 Married Filing Jointly
  - \$200,000 Other Filers



# Reconcile 2021 Advance CTC Payments

On 2021 return  
reconcile advance  
payments to  
allowable CTC

Tax is increased  
by advance  
payments in  
excess of  
allowable CTC

Failure to reduce  
CTC or increase  
tax for excess  
advance treated  
as math error

Overpaid  
advance up to  
\$2,000 per child  
can be protected  
from repayment



## CTC – Permanent Provisions for Tax Year 2022 - 2025

- \$2,000 per qualifying child, and up to \$1,400 is refundable
- The qualifying child must have an SSN issued on or before the due date of the return (including extensions)
- The taxpayer and spouse, if filing jointly, must have a valid TIN issued on or before the due date of the return (including extensions)
- The total of CTC and ODC is phased out by \$50 for each \$1,000 (or fraction thereof) the modified AGI exceeds \$400,000 in the case of a joint return, \$200,000 for all other filing statuses
- Schedule 8812 is required to calculate the credits
- The qualifying child must be under 17 years old at the end of the year



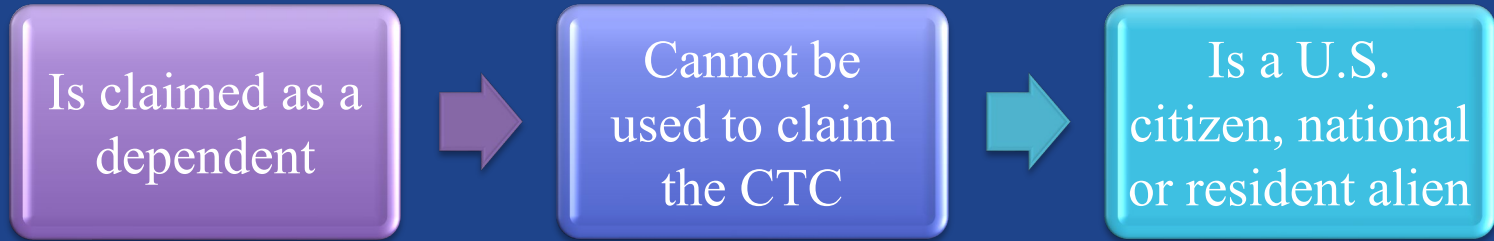
# CTC – Common Errors



Child does not meet the age requirements

Child does not have a valid SSN

# ODC – Eligibility Rules for a Qualifying Person

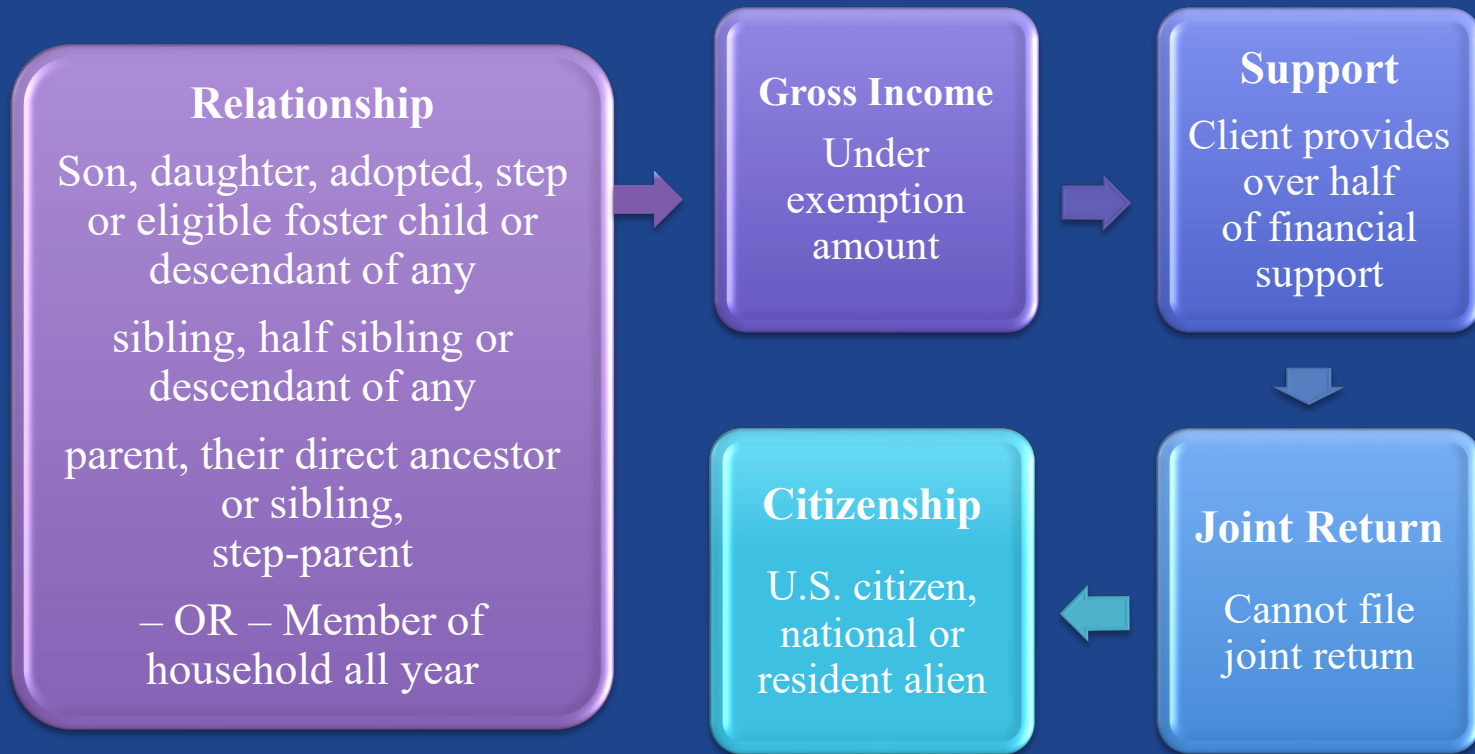


## Examples:

- Qualifying child with an SSN not valid for employment or an Individual Taxpayer Identification Number (ITIN) or Adoption Taxpayer Identification Number (ATIN)
- Qualifying child over the age of 16 (17 for tax year 2021 only)
- Relative who depends on your client for more than half of their financial support
- A person not related to your client but lives with your client for the entire year



# ODC – Qualifying Relative Eligibility Rules





# ODC – Common Errors

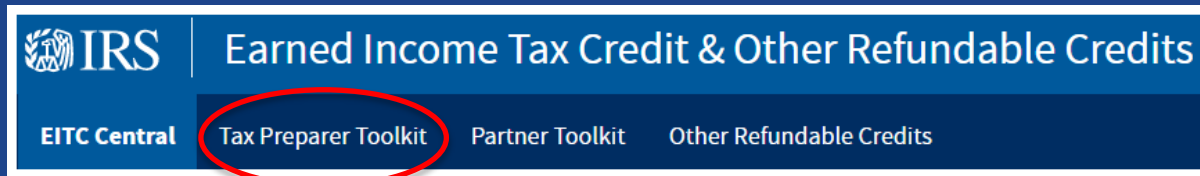


Person doesn't  
have a  
valid SSN

Person doesn't  
meet the  
dependency  
requirements

Person doesn't  
meet the residency  
requirements

# CTC & ODC Tax Preparer Toolkit Resources



## Welcome to the Tax Return Preparer Toolkit



**About Refundable Credits  
for Preparers**

**Hot Topics for  
Return Preparers**

**Preparer Due Diligence**

**Due Diligence  
Training Module**

**Tools and Tips**

**Form 886-H-EIC Toolkit**

**Child Related Tax Benefit  
Comparison**

**Social Media and EITC**





# American Opportunity Tax Credit (AOTC)

- AOTC is a credit for qualified education expenses paid for an eligible student for the first four years of higher education.
- Your client can get a maximum annual credit of \$2,500 per eligible student.
- If the AOTC brings the amount of tax owed to zero, your client can have 40 percent of any remaining amount of the credit (up to \$1,000) refunded to them.



# AOTC – Eligibility Rules for Qualifying Students



## To be eligible for AOTC, the student must:

- Be pursuing a degree or other recognized education credential
- Be enrolled at least half time for at least one academic period\* beginning in the tax year
- Not have finished the first four years of higher education at the beginning of the tax year
- Not have claimed AOTC or the former Hope credit for more than four tax years
- Not have a felony drug conviction at the end of the tax year



# AOTC – Common Errors



Didn't attend an eligible educational institution

Didn't pay qualifying college expenses

Claimed for a student for more than 4 tax years

# AOTC – Preparer Toolkit Resources

EITC.IRS.gov

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IRS | Earned Income Tax Credit & Other Refundable Credits

EITC Central | Tax Preparer Toolkit | Partner Toolkit | **Other Refundable Credits** | Search

## What You Need to Know about AOTC and LLC

**Hot Topics for Refundable Credits**

**Tax Forums**

- What You Need to Know about AOTC and LLC**
- Education Credits Products
- Avoid Common AOTC Errors
- AOTC Key Messages

**Compare Education Credits**

**Know the Questions to Ask about Refundable Credits**

The American Opportunity Tax Credit (AOTC) and the Lifetime Learning Credit (LLC) can reduce a taxpayer's income tax liability dollar-for-dollar for [qualified education expenses paid](#). These credits can help offset the cost of higher education.

**Here's what tax return preparers need to know:**

- **Eligibility requirements** -- Start with our [comparison credits comparison chart](#) for a quick look or review the [Education Credits](#) page for more details.
- **Review Form 1098-T** [PDF](#) -- Did the student attend at least half time for a full academic period? Is the 'graduate student' box checked? For what academic period are the amounts reported? Remember the amount in Box 1 on Form 1098-T may differ from the amount your client can use to compute a credit on this year's tax return.
- If the student **didn't receive a Form 1098-T** [PDF](#), inform your client that the IRS may ask for documentation to support the credit. See Forms [866-H-AOC](#) [PDF](#) and [866-H-AOC-MAX](#) [PDF](#) for examples of helpful documentation. Also available in Spanish, [Form 866-H-AOC\(SP\)](#) [PDF](#).

**Resources - Tax Credits for Education**

- Find the **latest news for refundable credits** on our [What's Hot page](#)
- See the AOTC and LLC criteria side by side on our [Compare Education Credits](#) chart

**Related Forms and Publications**

- [Publication 970](#) [PDF](#), Tax Benefits for Education
- [Form 1098-T](#) [PDF](#), Tuition Statement





# Head of Household Filing Status (HOH)

**Your client may be able to file as HOH if they:**

- Are unmarried or considered unmarried on the last day of the year.
- Paid more than half of the cost of keeping up a home for the year.
- Claimed a qualifying person who lived in the home for more than half the year (except for temporary absences, such as school). However, if the qualifying person is your client's dependent parent, he or she doesn't have to live with your client.





## Qualifying for Head of Household (HOH) Filing Status

To qualify for HOH status, your clients must be either unmarried or considered unmarried on the last day of the tax year. Your clients are considered unmarried on the last day of the tax year if they meet all the following tests:

File a separate return. A separate return includes a return claiming married filing separately, single or HOH filing status.

Pay more than half the cost of keeping up the home for the tax year

## Qualifying for Head of Household (HOH) Filing Status, Cont.

Your clients' spouse didn't live in the home during the last 6 months of the tax year. The spouse is considered to live in the home even if he or she is temporarily absent due to special circumstances.

Your clients' home was the main home of their child, stepchild or foster child for more than half the year.

Your clients must be able to claim the child as a dependent. However, they meet this test if they can't claim the child as a dependent only because the noncustodial parent can claim the child using special rules for children of divorced or separated parents (or parents who live apart).



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# Tax Benefits Subject to Due Diligence



Earned  
Income  
Tax Credit  
(EITC)



Child Tax Credit  
(CTC)  
Additional  
Child Tax Credit  
(ACTC)  
Credit for Other  
Dependents  
(ODC)



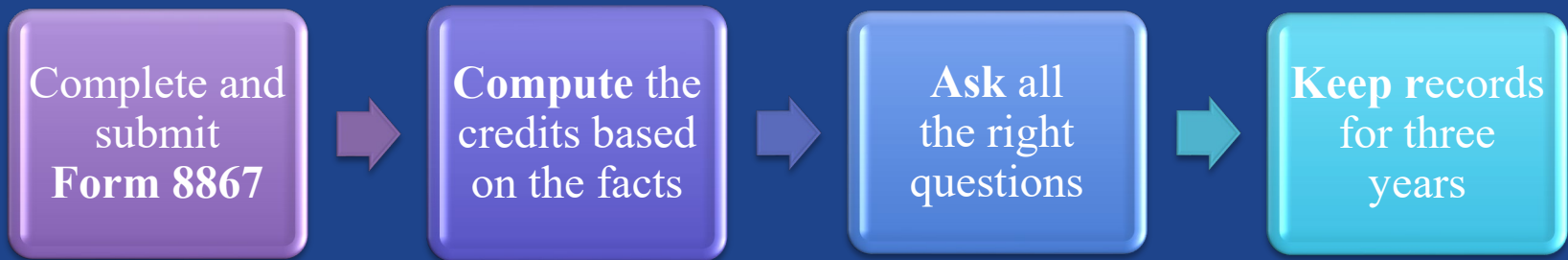
American  
Opportunity  
Tax Credit  
(AOTC)



Head of  
Household  
Filing  
Status  
(HOH)

# Due Diligence Requirements Review

As a paid tax return preparer, you must:





# Due Diligence Frequently Asked Questions

Are there specific documents tax preparers are supposed to keep with clients' folders?

**Answer:**

No, however, per Publication 4687, keep electronic or paper copies of:

- Form 8867 and applicable worksheet(s) used to calculate the credit(s) which include EITC, CTC/ACTC/ODC, or AOTC claimed on the return
- Taxpayer documents relied on to determine eligibility for the credit(s) and/or HOH filing status
- Records of how, when, and from whom the information was received to prepare the Form 8867 and applicable worksheet(s)



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# Contact Information

[EITC.program@irs.gov](mailto:EITC.program@irs.gov)