



Due Diligence Interviews

Steps to Success

Due Diligence Resources

- **Due Diligence Training Module** - this interactive online course, available in both English and Spanish, helps paid tax return preparers learn about due diligence requirements when preparing returns claiming the EITC, CTC, ACTC, ODC, AOTC and HOH filing status. It can be completed at any time for free and you may qualify to earn one continuing education credit.
- **Nationwide Tax Forum Videos** - the videos focus on due diligence requirements for refundable credits and head of household filing status, and the due diligence examination process.
- **Handling the most common EITC errors** - this page provides information about how a preparer can avoid common EITC errors.
- **Due Diligence Videos** - these short due diligence videos give examples of interview techniques for various situations.
- **Publication 4687, Paid Preparer Due Diligence (also available in Spanish)** - this publication provides valuable guidance to help you comply with the due diligence requirements.
- **Forms 886** - these forms can help you and your client understand the documents that can help prove a claim for the EITC, CTC, ACTC, ODC, AOTC or HOH filing status.
- **Common due diligence situations** - this page provides useful examples on how a preparer can handle common situations with clients.

1 Communicate in Advance

Let the taxpayer know that as part of your due diligence requirements you will ask personal questions to ensure that the tax return is correct.

Communicate the potential consequences of incorrect returns and failure to inquire:

- **For The Taxpayer:** If their return is selected for audit and the Head of Household (HOH) filing status, Earned Income Tax Credit (EITC), Child Tax Credit (CTC)/Additional CTC/Credit for Other Dependents (ODC) or American Opportunity Tax Credit (AOTC) is disallowed, they must pay back any amount refunded in error plus any additional amount assessed, with interest, and may be:
 - Required to file Form 8862, Information to Claim Certain Credits After Disallowance
 - Banned from claiming the credit(s) for two years if we find the error is due to reckless or intentional disregard of the rules
 - Banned from claiming the credit(s) for ten years if we find the error is due to fraud
- **For The Preparer:** If you fail to meet due diligence requirements, you can also face:
 - Return preparer penalties
 - Suspension or expulsion from IRS e-file program
 - Disciplinary action by the IRS Office of Professional Responsibility
 - An injunction barring you from preparing tax returns for others
 - Criminal penalties for filing fraudulent tax returns

2 Create an Open Dialogue

- Be an active listener.
- Allow ample opportunities for the taxpayer to respond to your questions.
- Work on fact finding together to prepare an accurate tax return.
- Be empathetic and not judgmental.

3 De-Escalate

If the taxpayer has an angry or emotional response, remember to:

- Listen. Pause. Breathe.
- Avoid overreacting.
- Keep your tone and body language neutral.
- Think about the emotions you are both experiencing and where they may be coming from.
- Respond by reflecting on what you think the taxpayer is feeling.
- Kindly restate your question (consider restating in another way).
- Once again, state the reason you need to get correct information, i.e., to prepare an accurate tax return.

Example: **Watch** and **read** “Qualifying Child 2”