



IRSNationwide

Tax **FORUM**
20
12

EITC Made Easy



Due Diligence – Software is only a tool. Know the law. Ask the right questions. Get all the facts. Document as you go.

5/23/2012



What is EITC?

A credit for people who have low to moderate income

4 out of 5 eligible people claim and get their EITC

Last year, over 26 million people nationwide received nearly \$ 59 billion in EITC

EITC lifted an estimated 6.6 million people out of poverty, including 3.3 million children

IRSNationwide

Tax FORUM
2012





What You Should Know for the 2012 Filing Season

IRSNationwide

Tax **FORUM**
20
12

There are no changes to the eligibility requirements for Tax Year 2012

Married taxpayers who file a joint return have higher income limits

The credit is available for up to three qualifying children

If a parent qualifies, any person other than the parent claiming the child must have an AGI higher than the parent





Income Limits and EITC Amounts for Tax Year 2012

IRSNationwide
Tax **FORUM**
20
12

Number of Qualifying Children	For Single/Head of Household or Qualifying Widower, Income Must be Less Than:	For Married Filing Jointly, Income Must be Less Than:	Range of EITC
No Child	\$13,980	\$19,190	\$2 to \$475
One Child	\$36,920	\$42,130	\$9 to \$3,169
Two Children	\$41,952	\$47,162	\$10 to \$5,236
Three or More Children	\$45,060	\$50,270	\$1 to \$5,891

Due Diligence – Software is only a tool. Know the law. Ask the right questions. Get all the facts. Document as you go.



IRSNationwide

Tax **FORUM**
20
12

Due Diligence Helps Reduce EITC Error Rate

Paid Preparers must comply with EITC due diligence statutes

Non-Compliance with EITC due diligence may result in penalties

For more information on EITC Due Diligence attend our seminar “Meeting Your EITC Due Diligence” or see www.eitc.irs.gov

Software is not a substitute for knowing the law!

Due Diligence – Software is only a tool. Know the law. Ask the right questions. Get all the facts. Document as you go.





Most Common EITC Errors

IRSNationwide

Tax **FORUM**
20
12

Pay particular attention to the following three issues that account for more than 60 percent of all EITC errors:

Claiming a child who does not meet the age, relationship, or residency requirement.

Filing as single or head of household when married.

Incorrectly reporting income or expenses , particularly Schedule C's, to maximize EITC.



Know the Law – EITC

Eligibility Requirements for All Taxpayers

Must have earned income

Must have valid Social Security Number-no ATINs
or ITINs

Not file Married Filing Separate

Not file Form 2555 or 2555-EZ

Not have more than \$3,200 in investment income

Not be the qualifying child of another person

Be a U.S. citizen or resident alien

IRSNationwide
Tax **FORUM**
20
12





Additional Eligibility Requirements

And, your client **must** meet one of the following:

Have a qualifying child that meets all four tests:

Age

Relationship

Residency

Joint return

Those *without* a qualifying child must:

Have lived in the United States for more than half the year

Be at least 25 but younger than 65

Not be a dependent of another person

IRSNationwide
Tax **FORUM**
20
12





IRSNationwide

Tax **FORUM**
20
12

Ask the Right Questions About a Qualifying Child

To qualify a worker for EITC each child must pass all of the following tests:

- Relationship
- Age
- Residency
- Joint Return



Due Diligence – Software is only a tool. Know the law. Ask the right questions. Get all the facts. Document as you go.



IRSNationwide

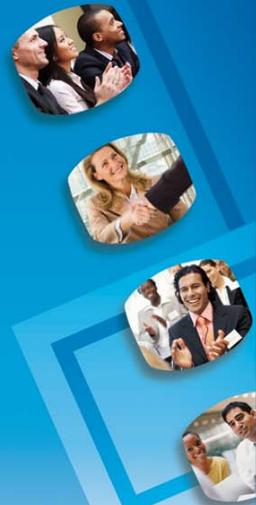
Tax **FORUM**
20
12

Get all the Facts About Relationships

Son, daughter, stepchild, foster child

Brother, sister, half brother, half sister, step brother, step sister

A descendant of any of the above



Due Diligence – Software is only a tool. Know the law. Ask the right questions. Get all the facts. Document as you go.



IRSNationwide

Tax **FORUM**
20
12

Know the Rules About the Child's Age

The Child must be younger than the taxpayer and

- Under age 19 or
- Under age 24 and a full time student

Or

Any age if the Child is permanently and totally disabled





Know the Definition of Disabled for EITC

IRSNationwide

Tax **FORUM**
20
12

A person is permanently and totally disabled if both of the following apply:

1. He or she cannot engage in any substantial gainful activity because of a physical or mental condition.
2. A doctor determines the condition has lasted or can be expected to last continuously for at least a year or can lead to death.

Check out our Disability Publication 4808





IRSNationwide

Tax **FORUM**
20
12

Know the Residency Rules

The child must have lived with the taxpayer for more than half the year in the United States



Due Diligence – Software is only a tool. Know the law. Ask the right questions. Get all the facts. Document as you go.



IRSNationwide

Tax **FORUM**
20
12

Child's Joint Return Test

The taxpayer must have not filed a joint return, or
Filed a joint return only to claim a refund but did not
have a tax liability



Due Diligence – Software is only a tool. Know the law. Ask the right questions. Get all the facts. Document as you go.



IRSNationwide

Tax **FORUM**
20
12

Ask All the Right Questions Because Only One Person Can Claim a Qualifying Child

If a parent and non-parent qualify, the non-parent claiming the child must have an AGI higher than the parent's

If both a parent and non-parent meet the requirements above, they may choose who takes the credit

If more than one person claims the same child, IRS applies the tiebreaker rules



Avoid Overlooking EITC for Workers Without Qualifying Children

IRSNationwide

Tax **FORUM**
20
12

Must have lived in the United States for more than half the year

Must be at least 25 but younger than 65

Must not be the qualifying child of another person

Must not be the dependent of another person





EITC Central – Your Home for All Things EITC

IRSNationwide

Tax FORUM
2012

Life's a little easier with 

EITC CENTRAL | TAX PREPARER TOOLKIT | PARTNER TOOLKIT | MARKETING EXPRESS

Welcome

Welcome to the Tax Preparer Toolkit

Here is everything you need for all things EITC! It makes it easy for you to practice due diligence and to help your clients get the EITC they earned. This toolkit helps you:

- KEEP on top of what's hot.
- LEARN about EITC Compliance Programs.
- FIND helpful tips and tools.
- LOCATE the answers to the questions preparers frequently ask.
- DOWNLOAD the most up-to-date EITC forms, brochures and support materials.
- COMPLETE the EITC Due Diligence Module in English or Spanish or the Schedule C and Record Reconstruction Training.
- LINK to everything else EITC.

Review our **Hot Topics** for news you need as a tax return preparer such as: continuing education opportunities, products and tools to help you meet your EITC due diligence requirements, proposed and new regulations, and more.

 APPROVED CONTINUING EDUCATION PROVIDER

More Resources:

- Avoid the most common EITC errors. [Learn More](#)

Navigation menu items on the left:
 Welcome
 Hot Topics for Return Preparers
 About EITC for Preparers
 Preparer Due Diligence
 EITC Preparer Compliance - Targeted, Tailored and Tiered
 Frequently Asked Questions
 Due Diligence Video Clips
 EITC Schedule C and Record Reconstruction Training
 EITC Due Diligence Training Module



www.eitc.irs.gov

Due Diligence – Software is only a tool. Know the law. Ask the right questions. Get all the facts. Document as you go.



IRSNationwide

Tax **FORUM**
20
12

On Site Resources

Exhibit Hall EITC booth

Meeting Your EITC Due Diligence seminar

Tax Forum Syllabus



Due Diligence – Software is only a tool. Know the law. Ask the right questions. Get all the facts. Document as you go.