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Refundable Credits – New Rules, New Laws - Learn What's Changed for your Client



Presented by the EITC and Refundable Credit Office

Refundable Credits

- EITC, Earned Income Tax Credit
- ACTC, Additional Child Tax Credit
- AOTC, American Opportunity Tax Credit



Objectives

You will learn about:

- Impact of PATH, Protecting Americans from Tax Hikes, Act and Trade Preferences Extension on refundable credits
- Requirements for each credit
- Interview techniques to ensure your clients get the credits they deserve
- Penalties that apply to you and your clients



Refundable Credit Program Integrity

- W-2s and Forms 1099 now due by January 31 after close of tax year
- No refund or credit for overpayments for EITC and ACTC no sooner than February 15



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Expanded Due Diligence

- Due Diligence requirements now include CTC and AOTC
- Penalty for failure to comply
 - per credit, per return
 - \$505 — subject to inflation



Can't Claim EITC, CTC or AOTC Retroactively

- Can't file an original return after due date of return* or amend a return to claim
 - EITC if anyone on return doesn't have SSN valid for employment
 - AOTC or CTC if anyone doesn't have valid SSN, ATIN or ITIN

*Due date of return includes those filed under a valid extension



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Permanent Provisions from PATH

- EITC
 - Increased credit for 3 or more qualifying children
 - Higher income threshold for MFJ
- ACTC earned income threshold \$3,000
- AOTC





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EITC Requirements

- Earned income and AGI less than \$53,505
- SSNs for all listed before due date of return
- File MFJ, HOH, QW or Single—No MFS
- U. S. Citizen or Resident Alien
- Can't file Form 2555 or 2555EZ
- Meet rules for those without a qualifying child OR have a qualifying child





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Placeholder VIDEO I EITC



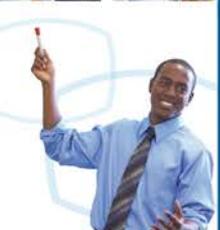
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Common EITC Errors

- Claiming child who does not meet residency or relationship requirements
- Reporting income or expenses, particularly Schedule C's correctly
- Filing as single or head of household when married
- Mismatching name and SSN





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CTC/ACTC Requirements

- Your client's qualifying child must:
 - Be related and under age 17 at end of 2016
 - Be claimed as dependent on return and not have provided over half his or her own support
 - Have lived with client for more than half of 2016*
 - Not have filed a joint return*
 - Be U.S. citizen, national or resident alien
 - Have a SSN, ATIN or ITIN by the due date of the return
- Your client must not file a Form 2555 or 2555-EZ

*Exception(s) may apply





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Placeholder VIDEO II CTC/ACTC

Common CTC Errors

- Child does not meet residency or relationship requirements
- Child not a dependent
- Child doesn't meet substantial presence test
- SSN, ITIN and ATIN problems





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What's New With Education Benefits

- AOTC
 - Permanent
 - Need 1098-T to claim
 - Must report School's EIN*
 - Schools report amounts *actually paid* on 1098-T*
- Lifetime Learning Credit
 - MAGI for reduced credit starts at \$55,000 (\$111,000 for MFJ)
 - MAGI must be less than \$65,000 (\$130,000 for joint return)
- Tuition and fees deduction extended for Tax Years 2015 and 2016

*We will delay implementing this provision of the law





AOTC Requirements

- Student must have Form 1098-T
- The EIN number of the school must be reported on the Form 8863
- Student must attend an eligible school half time or more
- Student must have a SSN, ITIN or ATIN at the time return is filed
- Student must not have felony drug conviction at the end of the tax year
- Taxpayer, spouse, student or third party must pay qualified education expenses and not be non-resident alien or chose to be treated as resident
- Student is taxpayer, taxpayer's spouse or a dependent
- MAGI must be \$80,000 or less (\$160,000 for MFJ)

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Placeholder VIDEO III Education Credits





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Common Education Credit Errors

- Student didn't attend eligible school
- Student didn't attend more than half time
- Over claiming or under claiming expenses
- Taking more than one tax benefit for same expenses or same student





Interview Tips

- Ask all the questions you need to get all the right information
- Use language your client understands
- Focus on where the child lived and how child is related
- Focus on finding all eligible tuition expenses and who paid them when





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The 1098-T Guides your Interview

CORRECTED

FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number		1 Payments received for qualified tuition and related expenses \$	OMB No. 1545-1574 2016 Form 1098-T	Tuition Statement
		2 Amounts billed for qualified tuition and related expenses \$		
FILER'S federal identification no.	STUDENT'S taxpayer identification no.	3 If this box is checked, your educational institution has changed its reporting method for 2016 <input type="checkbox"/>		Copy B For Student This is important tax information and is being furnished to the Internal Revenue Service. This form must be used to complete Form 8863 to claim education credits. Give it to the tax preparer or use it to prepare the tax return.
STUDENT'S name		4 Adjustments made for a prior year \$	5 Scholarships or grants \$	
Street address (including apt. no.)		6 Adjustments to scholarships or grants for a prior year \$	7 Checked if the amount in box 1 or 2 includes amounts for an academic period beginning January – March 2017 <input type="checkbox"/>	
City or town, state or province, country, and ZIP or foreign postal code				
Service Provider/Acct. No. (see instr.)	8 Check if at least half-time student <input type="checkbox"/>	9 Checked if a graduate student <input type="checkbox"/>	10 Ins. contract reimb./refund \$	

Form **1098-T**

(keep for your records)

www.irs.gov/form1098t

Department of the Treasury - Internal Revenue Service





Due Diligence

It's now more than EITC; it's also CTC and AOTC

- Expanded due diligence means more potential penalties
- Expanded client recertification requirements, 2 year and 10 year bans
- Changed penalty computation and penalty relief



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Give Your Client Top-Notch Service

- Know and practice your due diligence requirements
- Know the tax law for all credits
- Know all the special rules and exceptions to the rules
- Let IRS products and forms work for you





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Resources to Help

EITC Central

www.eitc.irs.gov

Search: Tax Forum

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Questions/Concerns/Comments?

Reach out to us...

at

EITC.Program@irs.gov

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