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**TaxForum**

| 2018

**Get Ready for the Tax Cuts and Jobs Act  
New Due Diligence Requirements**



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## After this seminar you will be able to:

- Understand the effects of the Tax Cuts and Jobs Act (TCJA) on clients' refundable credits
- Determine your clients' eligibility for Child Tax Credit (CTC)/Additional Child Tax Credit (ACTC) or the new Credit for Other Dependents, known as ODC
- Understand due diligence requirements related to CTC/ACTC/ODC and Head of Household filing status



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*Cont.*

## After this seminar you will be able to:

- Avoid common errors in complying with due diligence requirements
- Understand penalties for not meeting due diligence requirements
- Understand plans to change Form 8867 for TY 2018



# TCJA Important Changes

- Zero amount for personal and dependent exemptions
- New requirement (Social Security number) for CTC/ACTC qualifying children
- Increased phase-out limits for CTC/ACTC





*Cont.*

# TCJA Important Changes

- The addition of Credit for Other Dependents (ODC)
- Establishment of due diligence requirements and penalties for claiming the Head of Household filing status for Tax Year 2018 and beyond





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# EITC and AOTC – TCJA changes

Earned Income Tax  
Credit (EITC)

- No change

American  
Opportunity Tax  
Credit (AOTC)

- No change



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# Child Tax Credit/Additional Child Tax Credit – TCJA Changes

The child must have a valid SSN to qualify for BOTH the nonrefundable and refundable credit portions

Increase in credit and refundable portion

Other credit restrictions

Increases to income phase-out amounts



# New CTC/ACTC Income Phase-Outs \*

	Full Credit	Partial Credit	Phased Out – No Credit
Single	0 - \$200,000	\$201,000 - \$239,000	\$239,001+
Married Filing Jointly	0 - \$400,000	\$400,001 - \$439,000	\$439,001+
Head of Household	0 - \$200,000	\$200,001 - \$239,000	\$239,001+
Married Filing Separately	0 - \$200,000	\$200,001 - \$239,000	\$239,001+

\* This chart is an example of phase-out amounts for taxpayers claiming CTC/ACTC for one qualifying child. The phase-outs are greater for multiple children or if ODC is claimed.



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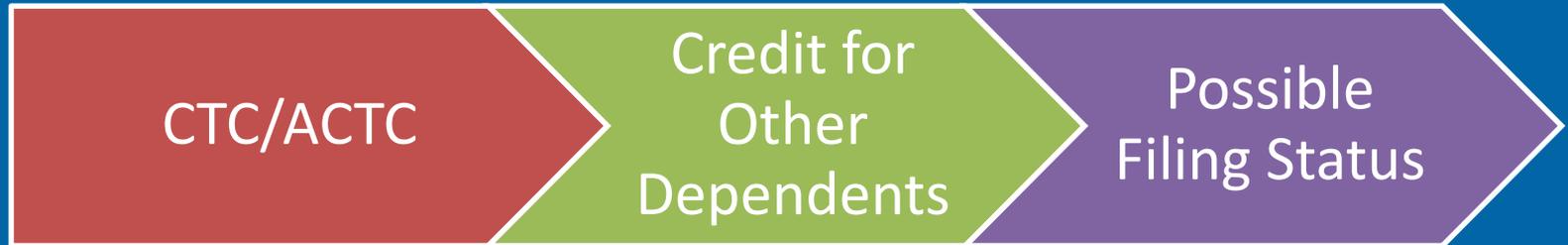
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# Video 1 Placeholder



# Video 1 Recap and Discussion

The preparer must consider qualifications for:





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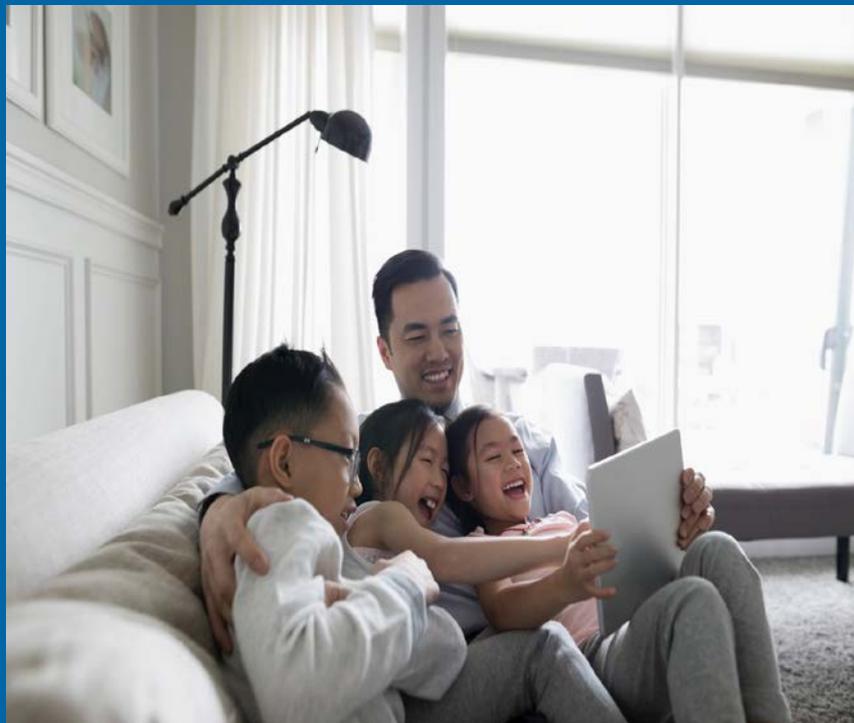
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For CTC/ACTC the tax preparer must consider:

- Relationships
- Child's age
- Support
- Residency
- Tax identification numbers





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# CTC/ACTC

## SSN Valid for Employment versus ITIN

Taxpayer  
may have  
a social  
security  
number  
or an ITIN



Child must  
have a social  
security  
number valid  
for  
employment



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# Test Your CTC/ACTC Knowledge



Taxpayer has SSN and the Child has SSN...

Will the taxpayer possibly qualify for CTC/ACTC?



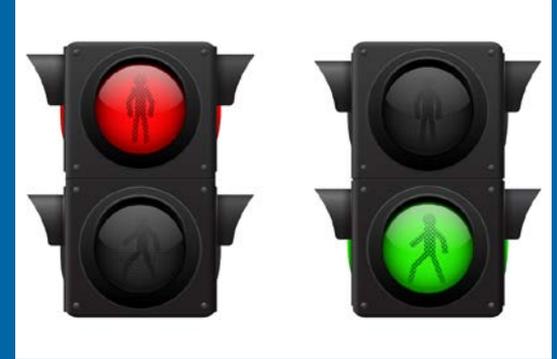
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# Test Your CTC/ACTC Knowledge



Taxpayer has ITIN and the Child has SSN...

Will the taxpayer possibly qualify for CTC/ACTC?

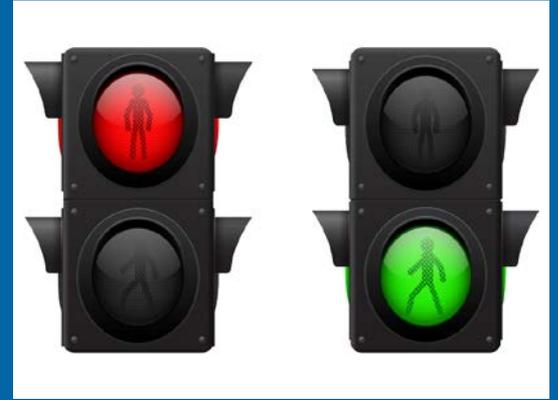


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# Test Your CTC/ACTC Knowledge



Taxpayer has SSN and the Child has ITIN...

Will the taxpayer possibly qualify for CTC/ACTC?



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# Credit for Other Dependents (ODC)

- Examples of Other Dependents...
  - Qualifying relative 17 years and older
  - Qualifying children with ITIN or ATIN
  - Qualifying relatives including client's aging parent





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# Test Your ODC Knowledge



Taxpayer has SSN and other dependent has SSN...

Will the taxpayer possibly qualify for ODC?



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# Test Your ODC Knowledge



Taxpayer has ITIN and other dependent has SSN...

Will the taxpayer possibly qualify for ODC?



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# Test Your ODC Knowledge



Taxpayer has ITIN and other dependent has ITIN...

Will the taxpayer possibly qualify for ODC?



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# Video 2 Place Holder



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# Video 2 Recap and Discussion

Child Tax  
Credit  
eligibility



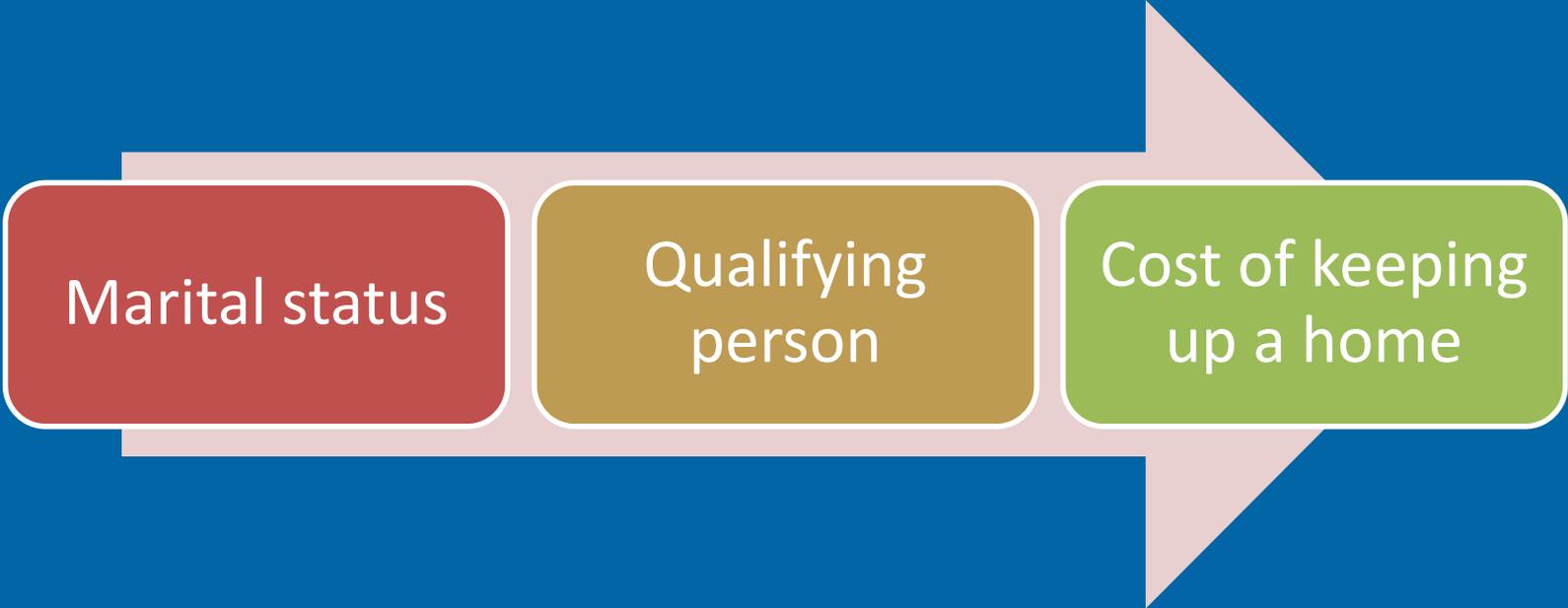
Head of  
Household  
filing status





# Head of Household (HoH) Qualifications

Your client must pass the following three tests:



Marital status

Qualifying  
person

Cost of keeping  
up a home



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# Due Diligence Requirements

- ✓ **Apply** the knowledge requirement
- ✓ **Compute** the credits
- ✓ **Keep** all required records
- ✓ **Complete and submit** Form 8867



# Due Diligence Most Common Errors



Failing to meet  
the knowledge  
requirement



Failing to keep  
records and  
documentation



# Due Diligence Preparer Penalties

- Paid preparers
- Employers of paid preparers



## Computation Example:

- $\$520 \times 20$  for EITC
- $\$520 \times 20$  for CTC/ACTC/ODC
- $\$520 \times 20$  for AOTC
- $\$520 \times 20$  for HoH =

**\$41,600 penalty**



# Upcoming Form 8867 Revisions

Form **8867**

Department of the Treasury  
Internal Revenue Service

## Paid Preparer's Due Diligence Checklist

Earned Income Credit (EIC), American Opportunity Tax Credit (AOTC), Child Tax Credit (CTC) (including the Additional Child Tax Credit (ACTC)) and Credit for Other Dependents (ODC), and Head of Household (HOH) Filing Status  
▶ To be completed by preparer and filed with Form 1040, 1040NR, 1040SS, or 1040PR.  
▶ Go to [www.irs.gov/Form8867](http://www.irs.gov/Form8867) for instructions and the latest information.

OMB No. 1545-0074

**2018**

Attachment  
Sequence No. **70**

Taxpayer name(s) shown on return

Taxpayer identification number

Enter preparer's name and PTIN

### Part I Due Diligence Requirements

Please check the appropriate box for the credit(s) and/or HOH filing status claimed on this return and complete the related Parts I-V for the benefit(s), and/or HOH filing status claimed (check all that apply).

EIC

CTC/  
ACTC/ODC

AOTC

HOH

- Did you complete the return based on information provided by the taxpayer or reasonably obtained by you?
- If credits are claimed on the return, did you complete the related Parts I-V for the benefit(s), and/or HOH filing status claimed (check all that apply)?
- Did you satisfy the knowledge requirement for claiming the credit(s) and/or HOH filing status?
  - Interview the taxpayer, ask questions, and take notes on responses to determine that the taxpayer is the preparer and/or HOH filing status.
  - Review information to determine that the tax return is correct, complete, and consistent? (If "Yes," go to question 5.)
- Did any information provided by the taxpayer, or information reasonably obtained by you, indicate that the tax return is incorrect, incomplete, or inconsistent? (If "Yes," go to question 5.)

### Part III Due Diligence Questions for Returns Claiming CTC/ACTC/ODC (If the return does not claim CTC, ACTC, or ODC, go to Part IV.)

	EIC	CTC/ ACTC/ODC	AOTC	HOH
10 Have you determined that each qualifying person for the CTC/ACTC/ODC is the taxpayer's dependent who is a citizen, national, or resident of the United States?	<input type="checkbox"/>	<input type="checkbox"/> Yes <input type="checkbox"/> No		
11 Did you explain to the taxpayer that he/she may not claim the CTC/ACTC if the taxpayer has not lived with the child for over half of the year, even if the taxpayer has supported the child, unless the child's custodial parent has released a claim to exemption for the child?		<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A		
12 Did you explain to the taxpayer the rules about claiming the CTC/ACTC/ODC for a child of divorced or separated parents (or parents who live apart), including any requirement to attach a Form 8332 or similar statement to the return?		<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A		

### Part IV Due Diligence Questions for Returns Claiming AOTC (If the return does not claim AOTC, go to Part V.)

	EIC	CTC/ ACTC/ODC	AOTC	HOH
13 Did the taxpayer provide the required substantiation for the credit, including a Form 1098-T and/or receipts for the qualified tuition and related expenses for the claimed AOTC?			<input type="checkbox"/> Yes <input type="checkbox"/> No	

### Part V Due Diligence Questions for Claiming HOH (If the return does not claim HOH filing status, go to Part VI.)

	EIC	CTC/ ACTC/ODC	AOTC	HOH
14 Have you determined that the taxpayer was unmarried or considered unmarried on the last day of the tax year and provided more than half of the cost of keeping up a home for the year for a qualifying person?				<input type="checkbox"/> Yes <input type="checkbox"/> No



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# 4 Takeaway's you need to remember



Income phase-out for Child Tax Credit (CTC) have significantly increased



Eligible child for the CTC must have a social security number valid for employment.



Remember to consider the new Credit for Other Dependents (ODC)



Due diligence now applies to Head of Household returns





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# Resources on EITC Central at [eitc.irs.gov](http://eitc.irs.gov) - Tax Preparer Toolkit

- Hot Topics
- Due diligence training module for continuing education credit
- Frequently asked questions by preparers
- Due diligence training video and more tools

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



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# Thanks for attending!

## Get Ready for the Tax Cuts and Jobs Act New Due Diligence Requirements