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Let EITC Due Diligence Work For You



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Benefits of Due Diligence

- Ensure your clients receive correct EITC
- Avoid contact from IRS; reduce rework
- Protect your practice from penalties



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Due Diligence Requirements

Internal Revenue Code § 6695(g) has four Due Diligence Requirements:

1. *Complete and submit* Form 8867
2. *Complete and keep* all worksheets used to compute the credit
3. Apply the knowledge requirement
4. *Keep* records



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Common Due Diligence Errors

- Not completing and submitting Form 8867
- Not meeting knowledge requirement
- Not keeping records



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Due Diligence Must Do's

- Know the Law
- Understand knowledge requirement
- Develop client interview techniques
- Complete, record, keep and retain



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Know the Law

You MUST know:

- What is earned income
- EITC requirements everyone must meet
- Qualifying child rules
- Eligibility without a qualifying child
- The exceptions



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Apply Your Knowledge Requirement

- Use language your client understands
- Don't assume, ask each question, every year
- Ask open-ended questions
- Ask if your client has supporting documents



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Joey and Emily



?
Basic

?
Relationship

?
Age

?
Joint Return
?
Residency



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Grandma, Katniss and Primrose



?
Basic

?
Joint Return

?
Relationship

?
Age

?
Residency



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Complete and Record

- Complete Form 8867 thoroughly
- Complete and keep all worksheets used to calculate the credit
- Record any additional information you gather



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Keep and Retain

- Copies of documents used to determine EITC eligibility and amount
- Paper or electronic and secure
- Back-up in separate, secure place
- Make sure you can produce records



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Due Diligence Penalties

- Paid preparers
- Employers



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Protect Yourself as an Employer

- Review current or develop new office procedures
- Instruct your employees on procedures and expectations
- Conduct EITC due diligence training annually
- Test your employees knowledge
- Perform recurring quality review checks



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EITC Compliance Strategy

- Focused
- Tiered



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Placeholder for Video



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Video Key Points

- **Notification Process**
- **Audits**
- **Penalties**
- **Appeal Rights**



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EITC Preparer Compliance Treatments

- Sending alerts or letters
- Visiting preparers
- Conducting due diligence audits
- Issuing penalty notices for missing Forms 8867
- Audit client returns
- Barring preparers who prepare highly questionable returns



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Due Diligence Recap

Your Due Diligence Must Do's

- Know the law
 - Your EITC due diligence requirements
 - EITC eligibility requirements
- Ask all the right questions
 - Are answers reasonable?



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Due Diligence Recap (cont)

- Get all the facts
 - Are you satisfied the return is correct?
- Document as you go--write down your questions and answers at the time of the interview



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Questions/Comments

We would like to hear from
you...reach out to us at:

EITC.Program@irs.gov