

2010

TaxFORUM

IRS Nationwide



Earned Income Tax Credit

Life's Easier
When You Know EITC

What You Should Know for the 2010 Filing Season

Continuing in 2010

- Married taxpayers who file a joint return have higher income limits
- The credit is expanded to include three or more qualifying children
- If a parent qualifies, any person other than the parent claiming the child must have an AGI higher than the parent

New for 2010

- PTIN registration requirement

Due Diligence Helps Reduce EITC Error Rate

- Know the law
- Ask the right questions
- Get all the facts
- Document everything

Software is not a substitute for knowing the law!

Know The Three Common EITC Errors

1. Claiming a child who does not meet the age, relationship or residency requirement
2. Filing as single or head of household when married
3. Over- or under-reporting income



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 exceed the investment income level
- Not be the qualifying child of another person
- Be a U.S. citizen or resident alien

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



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



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

- 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 new Disability Publication 4808



Know the Residency Rules

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



Child's Filing Requirements Can be Confusing

- Not have filed a joint return
- Filed a joint return only to claim a refund but did not have a filing requirement



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



Get All The Facts: Avoid Overlooking Workers Without Qualifying Children

- 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

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Life's a little easier with  earned income tax credit

EITC CENTRAL TAX PREPARER TOOLKIT PARTNER TOOLKIT MARKETING EXPRESS

Welcome

Welcome to the Tax Preparer Toolkit

Here is everything you need for EITC information and products to help you as a tax return preparer assist your clients.

This toolkit includes:

- The latest rules and tax law changes
- EITC eligibility requirements
- Tips on how to file accurate claims and meet your due diligence requirements
- The most up to date EITC forms, brochures and support materials available for download
- Compliance information
- The newly launched EITC Due Diligence Training Module

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Due Diligence - Know the law. Ask the right questions. Get all the facts.