

VIDEO

OPEN ON PREPARER COMING THROUGH HIS OFFICE DOOR. HE TURNS ON THE LIGHT, PUTS HIS HAT ON THE RACK AND SPEAKS TO CAMERA.

PREPARER MAKES HIS WAY TO HIS DESK, SITS DOWN AND TALKS TO CAMERA.

SUPER:
1. ANIMATION OF EIC CHECKLIST BEING POPULATED.

AUDIO

PREPARER VO: I read something the other day that got me thinking. Tax professionals do two-thirds of all EITC claims. But, about 25% are filed in error for one reason or another.

Could be a simple mistake like not understanding the law, or taking what a client says at face value. Other times, it's outright fraud.

So, it's pretty clear we paid preparers have to give Due Diligence, more diligence.

Having fewer errors protects the clients, builds their trust, gets us more referrals. So, it's good for business.

And it keeps us out of trouble. Who needs IRS penalties that with a little extra diligence could have been avoided?

And besides, it's the right thing to do. I mean, the EITC is supposed to go to working people who qualify, not cheats and scam artists, right?

So let's get back to basics for just a minute--the four Due Diligence requirements every paid preparer must do.

One: Complete the EIC Checklist or its equivalent. Working through the checklist forces us to consider all the

VIDEO

2. COMPLETE COMPUTATION
WORKSHEET.

3. KEEP RECORDS FOR THREE
YEARS.

4. USE YOUR KNOWLEDGE OF
THE LAW.

SUPER THE LAW WORDING.

www.eitc.irs.gov

AUDIO

PREPARER: eligibility criteria.

Two: Complete the Computation worksheet. It shows all the income sources we factored -- like self-employment income, wages, interest income and adjusted gross.

Three: Keep thorough records, either paper or electronic, for three years. That includes copies of Schedule EIC, the computation worksheet and a record of how, when and from whom you got the information to prepare the return.

Keep them where they can be readily accessed if an IRS representative asks to see them. But also, keep them safe. You don't want confidential information in the wrong hands.

Four: Know the law and use your knowledge to ask each client the right questions and get all the relevant facts. Make sure you document as you go. The whole process is so much easier now that everything is included in most tax software.

A paid preparer cannot know, or have reason to know, that any of the information provided by the client and used to determine eligibility or to compute the credit is incorrect, incomplete or inconsistent.

IRS EITC
Due Diligence Intro Video
page 3 of 3

VIDEO

PREPARER AT HIS COMPUTER.

SUPER:

1. WWW.EITC.IRS.GOV FREE
EDUCATIONAL TOOLS &
RESOURCES

CUTAWAY TO A MOMENT OR
TWO FROM VIDEO SERIES.

AUDIO

PREPARER: We are expected to apply a common sense standard to the information. So, whenever I'm in doubt, I go here:

www.eitc.irs.gov for educational tools and other resources free from the IRS. While you're there, take the Due Diligence Training Module It may qualify you for Continuing Professional Education Credits.

And watch the Due Diligence videos. You'll recognize some of the situations—and types of clients—portrayed. It's an entertaining way to refresh on more Due Diligence best practices.

Thanks. And have a good tax season.