

IRS EITC

Due Diligence

Audit Script page 1 of 5

VIDEO

OPEN ON A PHONE RINGING.

CUs OF PHONE

TITLE CARD UP: THE CASE OF THE ANXIOUS
PREPARER

MAX WALKS INTO PREPARER'S OFFICE. HE IS
VISIBLY WORRIED.

MAX IS TOO AGITATED TO SIT, SO HE PACES.

QUICK CUT TO MAX IMAGINING HIMSELF
PLEADING, A FINGER POINTING AND HIM
BEHIND JAIL BARS.

BACK TO THE PREPARER, SUDDENLY STANDING
NEXT TO HIM AND CALMLY EXPLAINING THE
PROCESS TO A FREAKED-OUT MAX.

AUDIO

SFX: PHONE RINGS

PREPARER: Hello. Max? You sound worried.
Sure, come over.

SERIES MUSIC UP AND UNDER.

PREPARER: Max, good to see_____

MAX INTERRUPTS: No time for pleasantries. I'm
in trouble. Just got this notice from the IRS.
They want to audit my files for EITC Due
Diligence.

PREPARER CALMLY: Oh, that.

MAX: This is serious! You know what they could
do me?

PREPARER: Max, I went through this last year. I
assure you, freaking out is not going to help.

MAX: But, what if they find errors or
omissions?

PREPARER: I can see the only way to help you
is to tell you the facts about how they audit and
what they're looking for.

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VIDEO

MAX SITS DOWN.

FLASHBACK TO CASE INVOLVING QUALIFYING CHILD AND SKETCHY STORY.

WE CUT BACK TO A SEQUENCE OF MR KIMBLE. THE FOOTAGE HAS BEEN ALTERED TO SEEM DREAMLIKE AND HISTORICAL.

AUDIO

MAX: You know me, I always do things by the book.

PREPARER: Which is exactly why you probably have nothing to worry about. The Revenue Agents aren't out to get you, Max. But they do have to review a certain number of returns done by preparers each year.

MAX: And my number came up?

PREPARER: You know what they're looking for, right? The big four.

MAX: An EITC worksheet for each return and a Checklist completed. Records kept for at least three years and evidence of due diligence in regards to the knowledge requirement.

PREPARER: And that's where 90 percent of penalties come from. Last year, the only questions the Agent had for me were about that knowledge requirement. I had a case where I could have done better.

PREPARER IN PAST: When you called, you said something about children at home.

MR KIMBLE: My sister's kids.

PREPARER IN PAST: Did the kids live with any other family member for more than half the year last year?

MR KIMBLE: My sister and my mom, we all live in the same house together with the kids.

PREPARER IN PAST: How much did your sister make last year?

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QUICK CUT TO THE PREPARER PLEADING AND
LOCKED UP IN THE STACKS.

THE PREPARER IS THE PORTRAIT OF SERENITY.

QUICK CUT TO MAX IMAGINING HIMSELF BEING
RELEASED FROM THE STOCKS. FREEDOM! HE
BEGINS TO LIGHTEN UP AS HE INTERACTS WITH
THE PREPARER.

SUPER THE LAW WORDING.

AUDIO

MR KIMBLE: Hey- I thought you were working
for me- what's with all these nosy questions?!

PREPARER IN PAST: Calm down Mr. Kimble

PREPARER BACK IN REAL TIME: Truth was, Max.
I didn't do my job that time. The guy was so
belligerent, and it had been a long day. So, I just
went with it. Sure enough, the Agent found it.

MAX: What did they do to you?

PREPARER: Nothing. The Agent brings a list of
cases and they review 25. And if you have only
one or two that aren't perfect, no penalties.
But, more than that, the Agent looks at another
25. And if necessary, another 25. IRS wants to
know that not doing due diligence is a fluke, not
a pattern.

MAX: Maybe I will be OK.

PREPARER: Like the law says: The preparer must
not know, or have reason to know, that any
information used in determining the taxpayer's
eligibility for, or the amount of the EITC, is
incorrect.

MAX: I know I always ask a lot of questions,
even if my clients seem uncomfortable.

PREPARER: Right, the Agent is looking for
incorrect, incomplete, or inconsistent items on
the return...so we have to ask enough questions
to clarify information.

MAX: Especially since we're the ones paying
the penalties.

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VIDEO

SUPER: LISTING QUALIFYING CHILD,
RELATIONSHIP AND RESIDENCY, FILING STATUS
AND SCHEDULE C IF THEY'RE SELF-EMPLOYED

FLASHBACK TO OLD CASE WHERE THINGS WENT
AWRY. THE FOOTAGE HAS BEEN ALTERED TO
SEEM DREAMLIKE AND HISTORICAL.

WOMAN ENTERS OFFICE IN TEARS.

WOMAN, CHOKED UP, EXPLAINING.

MAX NODS KNOWINGLY.

BEST PRACTICES BUILD INTERCUT WITH OC
DISCUSSION.

AUDIO

PREPARER: It always seems to come down to
the same gray areas, year after year—qualifying
child, relationship and residency, filing status
and schedule C if they're self-employed.

PREPARER: I remember this woman... Well, it's
all here in my case files.

PREPARER IN PAST: I'd been preparing her
returns for years. But this time, she shows up
and tells me she has two kids who are
dependents. I asked where the children's
parents were. Why they weren't claiming the
kids. Then it all came out.

WOMAN: My sister's in rehab. The county
wanted to take the kids away, so I took them in.

PREPARER TO MAX IN REAL TIME: She even had
the court order.

MAX: You meet all kinds in this job.

PREPARER: And since we never know, I
recommend a few best practices for me and my
staff, and we regularly review them. I even
have them posted on each workstation. The
Agent will want to know about this, too, Max.
One is keeping up on Due Diligence training,
either with seminars or webinars.

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VIDEO

LIST CONTINUES TO BUILD.

MAX IS RELIEVED AS HE SHAKES THE
PREPARER'S HAND AND MOVES TOWARDS THE
DOOR.

END TITLES AND PREPARER BEST PRACTICES
TIPS.

AUDIO:

PREPARER: Two, writing down all client responses to every question we ask, and keeping that in the record. Three, I urge my staff to bring me any return that seems questionable. Better safe than...

MAX: Penalized.

PREPARER: Right. Four, We send people away if the answers they give us just don't make sense. And lastly, I do a quality review of returns prepared by my staff just to be sure they "get it."

MAX: Thanks, man. I'm feeling like everything is going to be okay. My records may not be perfect, but they're pretty solid. And I see a few places where I could be more diligent.

PREPARER: And one last thought – if you are penalized and don't feel like the Agent is fair, you have the right to ask for a conference with the Agent's manager; and of course they will advise you of the right to appeal if you are penalized. Stay cool, Max. And call me to let me know how it goes.