IRS Refundable Credit Paid
Preparer Strategy
IRC 6695 (g)
Today we will:

- Briefly review paid preparer due diligence requirements.
- Share various IRS preparer communications.
- Explain educational letters and describe compliance treatments.
- Outline the consequences for failing to meet paid preparer due diligence requirements.
- Review FY 2019 program results.
- Share the Preparer outreach and education efforts.
As a paid preparer you must:

- Complete and submit Form 8867.
- Compute the credits based on the facts.
- Ask all the right questions.
- Keep records.
You may not have met your due diligence requirements

Dear [Name]:

We’re writing to make you aware of the due diligence requirements for paid preparers.

You prepared tax year 2017 returns that claimed at least one of the credits listed below. Our review of these returns indicates you may not have met your due diligence requirements.

- Earned Income Tax Credit (EITC)
- Child Tax Credit (CTC)
- Additional Child Tax Credit (ACTC)
- American Opportunity Tax Credit (AOTC)

Paid preparers must comply with all due diligence requirements. Failure to do so can result in a penalty of $520 per failure for tax returns filed in 2019. The failure can also result in an audit, the suspension or termination of e-filing privileges, or a referral to the IRS's Criminal Investigation Division.
Letter 1125

Exam Closing - Penalties and Next Steps

I have examined the statement of facts presented in this protest and, to the best of my knowledge and belief, they are true,

(over)

IRS

1, DC, U.S.A. 20024

Letter 1125 (IO) (Rev. 08-1987)
Catalog Number: 40529C
Form 5816
Exam Closing - Penalties and Next Steps

Form 5816
(February 2019)

Department of the Treasury - Internal Revenue Service

Report of Tax Return Preparer Penalty Case

Preparer's name
Street address
City
State
Select one box. Preparer is
Employer preparer
Self-employed preparer
Examiner's Function
Examiner:
Examiner:
Name and title of person with whom penalty was discussed
Date of

The following information identifies the tax return or claim for which penalty is being charged:

Taxpayer's name
Street address
City
State
Tax period

Kind of Preparer Penalty Charged
A. Understatement of tax due to an unreasonable position. (IRC Sec. 6664(a))
B. Understatement of tax due to willful or reckless conduct. (IRC Sec. 6664(b))
C. Failure to furnish a copy of the return or claim to the taxpayer. (IRC Sec. 6664(c))
D. Failure to sign return or claim. (IRC Sec. 6664(d))
E. Failure to furnish identifying number on return or claim. (IRC Sec. 6664(e))
F. Failure to keep a copy or list of the returns or claims prepared. (IRC Sec. 6664(f))
G. Failure to file certain information returns. (IRC Sec. 6665(c))
H. Negligently or wilfully endorsing a refund check issued to a taxpayer (other than the preparer). (IRC Sec. 6664(g))
I. Failure to comply with due diligence requirements. (IRC Sec. 6681(g))
J. Disclosure or use of information, other than to prepare or assist in preparing returns. (IRC Sec. 6711)

Total penalties

Examiner's signature

on Unagreed Cases

that explains these penalties as they relate to tax return preparers. I agree to

sh to exercise my appeal rights with the Internal Revenue Service or to contest in

port, therefore, I give my consent to the immediate assessment and collection of

www.irs.gov

Form 5816 (Rev. 2-2019)

Date

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As a part of the FY 2019 Refundable Credits Return Preparer Strategy, the IRS completed activities associated with a suite of progressive preparer treatments, addressing 23,780 preparers selected through our risk-based scoring model, before and during the filing season. Approximately 22,400 were EITC preparers.

- The IRS closed 729 pre-filing season Due Diligence Visits (DDVs) with a penalty rate of 93 percent and over $30 million in proposed penalties. Criminal Investigation and revenue agents completed 95 educational Knock-and-Talk Visits. The IRS also mailed 17,596 educational notices before the FY 2019 filing season.
- The IRS closed 225 correspondence DDVs with a penalty rate of 96 percent and nearly $10 million in proposed penalties. The IRS also mailed 12,363 educational notices and successfully made 1,314 of 2,428 calls attempted to preparers during the 2019 filing season.
- The analysis of the FY 2019 Refundable Credits Return Preparer Strategy revealed that, in addition to the penalties proposed above, the preparer treatments protected approximately $347 million ($256 million in EITC, $76 million in CTC, and $15 million in AOTC).
Return Preparer Outreach and Education (National Tax Forum and Due Diligence Module)

Focused outreach and education efforts on EITC return preparers to educate them on EITC and due diligence requirements.

- Nearly 12,640 preparers received a certificate of completion for the English and Spanish interactive EITC Due Diligence Training module.
- Additionally, over 8,700 preparers attended the “Learn the Facts about IRS Due Diligence Contacts” and “One Year Later – Tax Cuts and Jobs Act Due Diligence Update” seminars at the 2019 Nationwide Tax Forums.
The FY 2020 budget request included the legislative proposals to increase oversight of paid tax return preparers to help promote high quality services and improve voluntary compliance.
Preparer Outreach & Education

Preparer outreach and education efforts include:

- National Tax Forum.
- Interactive Due Diligence Modules.
- Tax Preparer Toolkit.
- Tax Preparer Alerts.
Letter 5364

Missing Form 8867

Department of the Treasury
Internal Revenue Service
Wage & Investment NDC/EITC

1201 N. Mitsubishi Motorway
Bloomington, IL 61705

Date:
02/28/2019

Contact us by e-mail at:
witrcpreparerresponse@irs.gov

Preparer ID Number:

Missing Forms 8867 Alert

Dear (enter Name):

We're writing to make you aware of due diligence requirements for paid preparers because we received two or more tax year 2018 paper returns you prepared claiming at least one of the benefits listed below without a Form 8867, Paid Preparer's Due Diligence Checklist. We've enclosed a list of these returns with this letter for you to review.

- Head of Household (HoH) filing status
- Earned Income Tax Credit (EITC)
- American Opportunity Tax Credit (AOTC)
- Child Tax Credit (CTC)
- Additional Child Tax Credit (ACTC)
- Credit for Other Dependents (ODC)

If you are a paid preparer and you get a Form 6695(g), you must include a copy of any return you prepared to meet the due diligence requirements. Failing to do so may result in a penalty.

We'll continue to monitor the due diligence requirements.

Letter 5364 (Rev. 9-2018)
Catalog Number 561993
Letter 4858
Alert to Return Preparers

Department of the Treasury
Internal Revenue Service
Wage & Investment
NDC/EITC
1201 North Mitsubishi Motorway
Bloomington, IL 61705

Date: 03/19/2019
Contact e-mail address: wi.rcpreparerresponse@irs.gov
Preparer ID number:

You may not have met your due diligence requirements

Dear [Name]:

We're writing to make you aware of due diligence requirements for paid preparers.

You prepared tax year 2018 returns claiming at least one of the benefits listed below. Our review of these returns indicates you may not have met your due diligence requirements.

- Head of Household (HoH) filing status
- Earned Income Tax Credit (EITC)
- American Opportunity Tax Credit (AOTC)
- Child Tax Credit (CTC)
- Additional Child Tax Credit (ACTC)
- Credit for Other Dependents (ODC)

Please note that the Tax Cuts and Jobs Act expanded the due diligence requirements to cover eligibility to file as HoH. Beginning with tax year 2018 returns, Internal Revenue Code Section 6695(g). Failure to be diligent in determining eligibility for certain tax benefits, applies to paid preparers of returns and claims for refund claiming HoH filing status. The Tax Cuts and Jobs Act also modified the CTC to provide a $500 nonrefundable credit for tax years 2018 through 2025. This new ODC can be claimed for qualifying dependents other than children who can be claimed for the CTC. The due diligence requirements for the CTC also apply to the ODC.

Paid preparers must comply with all due diligence requirements. Failure to do so can result in a penalty of $520 per failure, with a maximum penalty of $2,680 per return. The failure can also result in an audit, the suspension or termination of e-filing privileges, or a referral to the IRS’s Criminal Investigation Division.

Letter 4858 (Rev. 9-2018)
Catalog Number 58736R
Is it really the IRS?

Educational Phone Calls

IRS representative will:

- Provide their IRS ID number.
- Refer to previous written correspondence.
- Ask security questions to confirm the appropriate preparer is on the line.
- Discuss educational information.
Resources

Tax Preparer Toolkit

IRS Email Address
- wi.rcpreparerresponse@irs.gov