

IRS News Release

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Starting Jan. 1: Tax Preparers Need to File Due Diligence Checklist with All Earned Income Tax Credit Claims

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WASHINGTON — The Internal Revenue Service today issued final regulations requiring paid tax return preparers to file a due diligence checklist, Form 8867, with any federal return claiming the Earned Income Tax Credit (EITC). This is the same form that is currently required to be completed and retained in a preparer's records.

The due diligence requirement, enacted by Congress over a decade ago, was designed to reduce errors on returns claiming the EITC, most of which are prepared by tax professionals. The IRS created [Form 8867](#), Paid, Paid Preparer's Earned Income Credit Checklist, to help preparers meet the requirement by obtaining eligibility information from their clients. Preparers have been required to keep copies of the form, or comparable documentation, which is subject to review by the IRS.

To help ensure compliance with the law and that eligible taxpayers receive the right credit amount, the new regulations require preparers, effective Jan. 1, 2012, to file the Form 8867 with each return claiming the EITC. The regulations also reflect recent congressional action to increase the penalty for noncompliance with the due diligence requirement from \$100 to \$500. Further details can be found in Treasury Decision 9570, published today in the Federal Register.

The EITC benefits low-and moderate-income workers and working families, and the tax benefit varies by income, family size and filing status. Unlike most deductions and credits, the EITC is refundable — taxpayers can get it even if they owe no tax. For 2011 tax returns, the maximum credit is \$5,751.

Although as many as one in five eligible taxpayers fail to claim the EITC, some of those who do claim it either compute it incorrectly or are ineligible. The new requirement is part of the IRS initiative to ensure that the credit is afforded to taxpayers who qualify. This year, over 26 million people received nearly \$59 billion through the EITC. Tax professionals prepare close to 66 percent of these claims.

More information about [EITC](#) and the [due diligence](#) requirement for tax return preparers is available on irs.gov.