

Earned Income Tax Credit

Course Description

The Earned Income Credit (EIC) is a refundable tax credit that has a significant impact on United States revenue. In fact, EIC claims in any year generally total more than \$68 billion.

EIC claims are also increasing in both number and amount . In the ten-year period ending in 2016, the number of EIC claims increased from 24.6 million to 27.4 million, an increase of 11.4%. Not only had the number of claims for EIC increased over the period, the average credit per family also increased by 23.5%, from \$1,974 at the beginning of the period to \$2,437 in the year the 10-year period ended. The combination of an increased number of EIC claims coupled with an increase in the average credit caused the total amount of EIC claimed to climb by 33.8% over the period from \$48.5 billion to \$64.9 billion .

In a recent year, 150.3 million individual federal tax returns were filed, and 27.4 million—18.2% of individual taxpayers—claimed the Earned Income Credit. Based on that percentage, it would not be unexpected that approximately one taxpayer in every five may claim the EIC.

Completion Deadline & Exam: This course, including the examination, must be completed within one year of the date of purchase.

Course Level: Overview. This program is appropriate for professionals at all organizational levels.

CPE Credits: 3 (CPA, EA)

Category: Taxation

Prerequisite: None

Advanced Preparation: None

Course Learning Objectives

Chapter 1 - Earned Income Credit Rules

After reading this chapter, you should be able to:

1. Recognize the EIC eligibility rules that apply to all taxpayers;
2. Identify the EIC eligibility rules applicable to taxpayers who have a qualifying child;
3. List the EIC eligibility rules that apply to taxpayers who do not have a qualifying child; and
4. Recognize how the EIC for which an eligible taxpayer qualifies is determined.

Chapter 2 - Earned Income Credit Errors

After reading this chapter, you should be able to:

1. Recognize the incidence of errors in claiming the earned income credit and their probable causes;
2. Identify the estimated impact of earned income credit errors on federal revenue;
3. Identify the most common earned income credit errors and their potential problem areas; and
4. Recognize the additional questions tax preparers need to ask if taxpayer-provided information appears incorrect, inconsistent or incomplete.

Chapter 3 - EIC Disallowance

After reading this chapter, you should be able to:

1. Identify the principal tools used by the IRS to verify the propriety of EIC claims and to prevent or recover improper EIC payments;
2. Identify the additional requirements imposed on taxpayers claiming the EIC following disallowance;
3. Recognize the exceptions applicable to the requirement that a taxpayer file IRS Form 8862 following disallowance of an EIC claim;
4. Determine the year in which an IRS Form 8862 must be filed to claim EIC after the IRS has disallowed it; and
5. Recognize the duration of the prohibition against filing for the EIC in the event a taxpayer's EIC error is determined to be the result of reckless/intentional disregard of EIC rules or fraud.

Chapter 4 - EIC Due Diligence

After reading this chapter, you should be able to:

1. Recognize the records a tax return preparer is required to keep to support a client's claim for the earned income credit;
2. Identify the penalties that may be imposed on a tax return preparer for failing to comply with due diligence requirements when preparing a client's tax return claiming the earned income credit; and
3. Identify the sanctions that may be imposed on an employer whose employee fails to comply with EIC due diligence requirements.