

CD Tax & Financial

If you can dream it, you can do it!



1810 S Crismon Rd Ste. 188
Mesa, AZ 85209
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REFUNDABLE CREDITS DUE DILIGENCE - TAX YEAR 2016

TAXPAYER(S): _____

In December 2015, Congress passed the PATH Act, a bill with many important tax changes. The most urgent change relates to how a tax professional documents his or her client's eligibility for certain child related tax credits. Starting this year, I must see additional documentation if you claim the **Child Tax Credit, the American Opportunity Tax Credit, or the Earned Income Credit**. I need to retain this documentation in my files for three years, subject to an IRS inspection of MY compliance. You will be claiming an Earned Income Credit, Child Tax Credit, Additional Child Tax Credit, and/or an American Opportunity Credit on your 2016 tax return. **Because of this you must complete, sign, and return this questionnaire to me.** I will keep an imaged copy of this questionnaire in your 2016 tax file, and will include the original of the completed questionnaire in the package I send you with the finished returns.

1. I/we certify that the dependent(s) for whom the tax credit(s) will be requested can be claimed as my/our dependent(s), as per the information provided at the end of this questionnaire. [] Yes [] No
2. The dependent(s) for which the tax credit(s) will be requested lived with me/us for the year, except for temporary absences. [] Yes [] No
3. I am the **custodial parent** of the dependent(s) for whom the tax credit(s) will be requested and I released the dependency deduction to my former spouse for 2016 by signing Form 8332 (Release/Revocation of Claim to Exemption for Child by Custodial parent). [] Yes [] No
4. I am the **non-custodial parent** of the dependent(s) but I have been given a signed Form 8332 by my former spouse, the custodial parent, allowing me to claim the dependent(s) as dependent(s) on my 2016 tax returns (*you must give me the Form 8332*). [] Yes [] No
5. I/we, or my dependent(s), have documentation to substantiate the credit(s) being claimed, such as Form 1098-T and bills, statements, and receipts for college tuition, fees, and book and material costs (*you are responsible for keeping this documentation and providing it to the IRS if you are audited or questioned*). [] Yes [] No
6. Was a Child Tax Credit, Additional Child Tax Credit, or American Opportunity Credit claimed by you disallowed or reduced by the IRS on a past tax return? [] Yes [] No
7. Please provide these documents to me when you provide your other documents for tax preparation:
 1. A birth certificate for each child you're claiming on the tax return. You can bring me a copy of the certificate, or if you bring the original we can scan it and return it to you right away. You need to provide the birth certificates only one time. We will keep them on file.
 2. Social security cards for each child claimed on the tax return. Same as above, you can bring me a copy or we can copy and scan it for you. This is also a one-time thing, and I will keep them on file.
 3. Proof the child lived with you during 2016. This is forever an annual requirement. Any item from the following list will support that the child lives with you, provided the address on the document is the same as your address. The documents should either be dated in 2016 or reference 2016.

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Without this information, you will not qualify for these refundable credits. This will hold up the preparation and completion of your tax return. The document must show your name and address as well as the name or names of your child or children.

- a. School records – either a note from the school with your address on record or possibly a report card (if it shows the proper information)
 - b. A statement from your landlord showing your child (or children) live with you
 - c. A letter from a health care provider (doctor, dentist, etc.)
 - d. Medical records
 - e. Your daycare provider statement
 - f. A legal document such as a social services statement (DES Award Letters)
 - g. A letter from your place of worship
 - h. A statement from your employer
 - i. Any other item that will prove your child or children live with you. These items will be reviewed to see if they comply with the IRS regulations and can be used.
4. If your child is disabled, I will need at least one of the following:
- a. Medical records proving the disability
 - b. A health care provider statement
 - c. A legal document such as a social security statement
 - d. If your child is receiving social security benefits, a copy of the 1099-SA
 - e. Any other item that proves your child is disabled and lives with you. These items will be reviewed to see if they comply with the IRS regulations and can be used.

Without all of the above documentation to satisfy my due diligence with the IRS I will be unable to include any refundable credits on your return. The federal government continues to require tax professionals to be their 'first line of defense'. Despite how any of us feel about this, it is the law. If you have any questions about, or need assistance with or clarification of, any of the items in this questionnaire please email me at hello@cdtax.com.

I certify that my answers to the above items are true.

Please sign below:

Taxpayer

Spouse

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In order to be claimed as a dependent a child must be either –

A QUALIFYING CHILD:

Relationship - our son, daughter, adopted child, stepchild, foster child, or a descendent of any of them such as your grandchild or your brother, sister, half-brother, half-sister, stepbrother, stepsister or a descendant of any of them such as a niece or nephew.

Age - At the end of the filing year, your child was younger than you (or your spouse if you file a joint return) and younger than 19, or At the end of the filing year, your child was younger than you (or your spouse if you file a joint return) younger than 24 and a full-time student, or At the end of the filing year, your child was any age and permanently and totally disabled.

Residency - The child must live with you (or your spouse if you file a joint return) in the United States for more than half of the year. A person who was born or died during the year is considered to have lived with you for the entire year if they lived with you for the entire portion of the year after birth or before death.

Joint Return - The child cannot file a joint return for the tax year unless the child and the child's spouse did not have a separate filing requirement and filed the joint return only to claim a refund.

Or A QUALIFYING RELATIVE:

Not a Qualifying Child - The relative cannot be your qualifying child or the qualifying child of any other taxpayer.

Relationship - The person must be related to you – the same relationships described above under Qualifying Child plus father, mother, stepfather, stepmother, grandparent or other direct ancestor, son or daughter of sibling or half-sibling, , aunt, uncle, brother-in-law, sister-in-law, father-in-law, mother-in-law, son-in-law, or daughter-in-law. The person was not related by blood, marriage, or law, but lived in your household for the **entire year** (except for temporary absences due to illness, education, military service).

Gross Income - The relative's gross taxable income for the year must be less than the personal exemption amount for that tax year - \$4,050 for 2016 (do not include non-taxable municipal bond interest and Social Security or Railroad Retirement benefits).

Support - You must provide over one-half of the person's support for the tax year. To figure this out, compare the amount you contributed to that person's support with the entire amount of support that person received from all sources - himself or herself, other family members, etc. If more than one family member provides support and the total support is more than half you can use a "Multiple Support Agreement".

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TIEBREAKER RULES

For tax purposes only one person can claim a qualifying child as a dependent. If a child is the qualifying child of more than one person you must apply the Tiebreaker Rules. Under the Tiebreaker Rules a child is considered to be the Qualifying Child by:

- The parents, if they file a joint return;
- The parent, if only one of the persons is the child's parent;
- The parent with whom the child lived the longest during the tax year, if two of the persons are the child's parent and they do not file a joint return together;
- The parent with the highest adjusted gross income (AGI) if the child lived with each parent for the same amount of time during the tax years, and they do not file a joint return together;
- The person with the highest AGI, if no parent can claim the child as a qualifying child; or
- A person with the higher AGI than any parent who can claim the child as a qualifying child but does not.

If you have any questions about the above information or whether you can claim your child as a dependent please email me at rdftaxpro@yahoo.com.