

2016 Changes to EITC, Child Tax and Education Credits, and 2017 Filing Season Refund Delays for Returns with EITC

By CC Tax Service

As the main part of the 2016 filing season comes to a close, it is time to emphasize the coming important changes to the preparer due diligence requirements, refundable credits, and refunds for the 2017 filing season.

The December 2015 extender bill did more than just extend the expiring tax provisions. In the Protecting Americans from Tax Hikes (PATH) Act of 2015, Congress included a “program integrity” section that dealt with the Earned Income Tax Credit (EITC), Child Tax Credit (CTC), and American Opportunity Education Tax Credit (AOTC).

Below is a summary of what these changes are:

Refunds for Federal Returns that Claim EITC will not be **Released Until February 15 Beginning with the 2017 Filing Season.**

The integrity provision of the PATH Act that will have the greatest impact on taxpayers that claim EITC is the one that requires the IRS to not release refunds for returns that claim EITC or the Additional Child Tax Credit until February 15 beginning with the 2017 filing season. Therefore, any return claiming the EITC or CTC credits that is prepared in the early part of the filing season will not be released for up to 4 weeks (depending on when the return is filed) instead of the standard 21 days or less timeframe.

Expansion of Preparer Due Diligence Requirements

The PATH Act expands the EITC due diligence requirements under Code Section 6695 (including the \$500 penalty) to now include the Child Tax Credit and the American Opportunity Education Credit beginning with 2016 individual federal returns.

This means that the IRS will be making changes to Form 8867 (Paid Preparer’s Earned Income Tax Credit Checklist). The form will be renamed and additional due diligence related questions will be added for these two additional credits.

Earned Income Tax Credit (EITC) Changes

The PATH Act made the following changes that will affect individuals who claim EITC on their returns beginning with Tax Year 2016 tax returns:

Individuals cannot file an amended return to claim EITC for prior years that a qualifying child did not have a Social Security Number. This provision went into effect on the date the PATH Act became law on December 18, 2015. The IRS can bar an individual from claiming EITC for 10 years if the IRS finds they have fraudulently claimed the credit.