

2016

Paid Preparer's California Earned Income Tax Credit Checklist

3596

Attach to taxpayer's California Form 540, 540 2EZ, or Long or Short Form 540NR

Name(s) as shown on tax return

SSN or ITIN

For the definitions of Qualifying Child and Earned Income, see form FTB 3514, California Earned Income Tax Credit.

Part I – All Taxpayers

- 1 a** Preparer's name ☒ **1a**
- b** Preparer's PTIN ☒ **1b**
- c** Preparer's license, registration, or enrollment type. Check one box
- ☐ CPA ☐ EA ☐ Attorney ☐ CTEC ☐ Other (specify)
- If CPA, Attorney, or Other, enter license, registration, or enrollment state ☒ **1c**
- d** Preparer's license, registration, or enrollment number ☒ **1d**
- 2** Is the taxpayer's filing status married filing separately? **2** ☐ Yes ☐ No
- If you checked **"Yes"** on line 2, **stop**; the taxpayer **cannot** take the California Earned Income Tax Credit (EITC). Otherwise, continue.
- 3** Does the taxpayer (and the taxpayer's spouse/RDP if filing jointly) have a social security number (SSN) that allows him or her to work and is valid for EITC purposes? See the instructions before answering. **3** ☐ Yes ☐ No
- If you check **"No"** on line 3, **stop**; the taxpayer **cannot** take the EITC. Otherwise, continue.
- 4** Is the taxpayer (or the taxpayer's spouse/RDP if filing jointly) filing federal Form 2555 or federal Form 2555-EZ (relating to the exclusion of foreign earned income)? **4** ☐ Yes ☐ No
- If you checked **"Yes"** on line 4, **stop**; the taxpayer **cannot** take the EITC. Otherwise, continue.
- 5 a** Was the taxpayer (and the taxpayer's spouse/RDP) a nonresident alien for any part of 2016? **5a** ☐ Yes ☐ No
- If you checked **"Yes"** on line 5a, go to line 5b. Otherwise, skip line 5b and go to line 6.
- b** Is the taxpayer's federal filing status married filing jointly? **5b** ☐ Yes ☐ No
- If you checked **"Yes"** on line 5a, and **"No"** on line 5b, **stop**; the taxpayer **cannot** take the EITC. Otherwise, continue.
- 6** Is the taxpayer's **investment income** more than \$3,471? See the instructions before answering. **6** ☐ Yes ☐ No
- If you checked **"Yes"** on line 6, **stop**; the taxpayer **cannot** take the EITC. Otherwise, continue.
- 7** Could the taxpayer be a **qualifying child** of another person for 2016? If the taxpayer's filing status is married filing jointly, check **"No."** Otherwise, see instructions before answering **7** ☐ Yes ☐ No
- If you checked **"Yes"** on line 7, **stop**; the taxpayer cannot take the EITC. Otherwise, go to Part II or Part III, whichever applies.

Part II – Taxpayers With a Child

Caution: If there is more than one child, complete lines 8 through 14 for one child before going to the next column.

	Child 1	Child 2	Child 3
8 Child's Name	<input type="text"/>	<input type="text"/>	<input type="text"/>
9 Is the child the taxpayer's son, daughter, stepchild, foster child, brother, sister, stepbrother, stepsister, half brother, half sister, or a descendant of any of them?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
10 Was the child unmarried at the end of 2016? If the child was married at the end of 2016, see the instructions before answering	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
11 Did the child live with the taxpayer in California for over half of 2016? See the instructions before answering ..	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
12 Was the child (at the end of 2016) <ul style="list-style-type: none"> • Under age 19 and younger than the taxpayer (or the taxpayer's spouse/RDP, if the taxpayer files jointly), • Under age 24, a student (defined in the instructions), and younger than the taxpayer (or the taxpayer's spouse/RDP, if the taxpayer files jointly), or • Any age and permanently and totally disabled? <p>▶ If you checked "Yes" on lines 9, 10, 11, and 12, the child is the taxpayer's qualifying child; go to line 13a. If you checked "No" on line 9, 10, 11, or 12, the child is not the taxpayer's qualifying child; see the instructions for line 12.</p>	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
13 a Do you or the taxpayer know of another person who could check "Yes" on lines 9, 10, 11, and 12 for the child? (If the only other person is the taxpayer's spouse/RDP, see the instructions before answering.)	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
▶ If you checked "No" on line 13a, go to line 14. Otherwise, go to line 13b.			
b Enter the child's relationship to the other person(s)	<input type="text"/>	<input type="text"/>	<input type="text"/>
c Under the tiebreaker rules, is the child treated as the taxpayer's qualifying child? See the instructions before answering	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Don't know	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Don't know	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Don't know



	Child 1	Child 2	Child 3
<p>► If you checked "Yes" on line 13c, go to line 14. If you checked "No," the taxpayer cannot take the EITC based on this child and cannot take the EITC for taxpayers who do not have a qualifying child. If there is more than one child, see the Note at the bottom of this page. If you checked "Don't know," explain to the taxpayer that, under the tiebreaker rules, the taxpayer's EITC and other tax benefits may be disallowed. Then, if the taxpayer wants to take the EITC based on this child, complete lines 14 and 15. If not, and there are no other qualifying children, the taxpayer cannot take the EITC, including the EITC for taxpayers without a qualifying child; do not complete Part III. If there is more than one child, see the Note at the bottom of this page.</p>			
<p>14 Does the qualifying child have an SSN that allows him or her to work and is valid for EITC purposes? See the instructions before answering</p> <p>► If you checked "No" on line 14, the taxpayer cannot take the EITC based on this child and cannot take the EITC available to taxpayers without a qualifying child. If there is more than one child, see the Note at the bottom of this page. If you checked "Yes" on line 14, continue.</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>	<p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>

15 Are the taxpayer's earned income and adjusted gross income each less than the limit that applies to the taxpayer for 2016? See instructions. ☐ Yes ☐ No

► If you checked **"No"** on line 15, **stop**; the taxpayer **cannot** take the EITC. If you checked **"Yes"** on line 15, the taxpayer can take the EITC. Complete form FTB 3514 and attach it to the taxpayer's return. If there are two or three qualifying children with valid SSNs, list them on form FTB 3514 in the same order as they are listed here. Go to line 20.

Note: If there is more than one child, complete lines 8 through 14 for the other child(ren) (but for no more than three qualifying children).

Part III – Taxpayers Without a Qualifying Child

- 16** Was the taxpayer's main home, and the main home of the taxpayer's spouse/RDP, if filing jointly, in California for more than half the year? **16** ☐ Yes ☐ No
If you checked "**No**" on line 16, **stop**; the taxpayer **cannot** take the EITC. Otherwise, continue.
- 17** Was the taxpayer, or the taxpayer's spouse/RDP if filing jointly, at least age 25 but under age 65 at the end of 2016? See the instructions before answering. **17** ☐ Yes ☐ No
If you checked "**No**" on line 17, **stop**; the taxpayer **cannot** take the EITC. Otherwise, continue.
- 18** Is the taxpayer eligible to be claimed as a dependent on anyone else's California income tax return for 2016? If the taxpayer's filing status is married filing jointly, check "**No**" **18** ☐ Yes ☐ No
If you checked "**Yes**" on line 18, **stop**; the taxpayer **cannot** take the EITC. Otherwise, continue.
- 19** Are the taxpayer's earned income and adjusted gross income each less than the limit that applies to the taxpayer for 2016? See instructions. **19** ☐ Yes ☐ No
If you checked "**No**" on line 19, **stop**; the taxpayer **cannot** take the EITC. If you checked "**Yes**" on line 19, the taxpayer can take the EITC.

Part IV – Due Diligence Requirements

- 20** Did you complete form FTB 3596 based on current information provided by the taxpayer or reasonably obtained by you? . **20** ☐ Yes ☐ No
- 21** Did you complete the California Earned Income Tax Credit Worksheet found in the form FTB 3514 instructions (or your own worksheet that provides the same information as the form FTB 3514 worksheet)? **21** ☐ Yes ☐ No
- 22** If any qualifying child was not the taxpayer's son or daughter, do you know or did you ask why the parents were not claiming the child? **22** ☐ Yes ☐ No
☐ Does not apply
- 23** If the answer to question 13a is "**Yes**" (indicating that the child lived for more than half the year with someone else who could claim the child for the EITC), did you explain the tiebreaker rules and possible consequences of another person claiming your client's qualifying child? **23** ☐ Yes ☐ No
☐ Does not apply
- 24** Did you ask this taxpayer any additional questions that are necessary to meet your knowledge requirement? See the instructions before answering **24** ☐ Yes ☐ No
☐ Does not apply

To comply with the EITC knowledge requirement, you must not know or have reason to know that any information you used to determine the taxpayer's eligibility for, and the amount of, the EITC is incorrect. You may not ignore the implications of information furnished to you or known by you, and you must make reasonable inquiries if the information furnished to you appears to be incorrect, inconsistent, or incomplete. At the time you make these inquiries, you must document in your files the inquiries you made and the taxpayer's responses.

- 25 Did you document (a) the taxpayer's answer to question 22 (if applicable), (b) whether you explained the tiebreaker rules to the taxpayer and any additional information you got from the taxpayer as a result, and (c) any additional questions you asked and the taxpayer's answers? 25 ☐ Yes ☐ No ☐ Does not apply

Due Diligence Checklist

You have complied with all the due diligence requirements if you:

1. Completed the actions described on lines 20 and 21 and checked **"Yes"** on those lines,
2. Completed the actions described on lines 22, 23, 24, and 25 (if they apply) and checked **"Yes"** (or **"Does not apply"**) on those lines,
3. Submit form FTB 3596 in the manner required, **and**
4. Keep all five of the following records for 4 years from the latest of the dates specified in the instructions under Document Retention:
 - a. Form FTB 3596,
 - b. The EITC worksheet(s) or your own worksheet(s),
 - c. Copies of any taxpayer documents you relied on to determine eligibility for or amount of EITC,
 - d. A record of how, when, and from whom the information used to prepare the form and worksheet(s) was obtained, and
 - e. A record of any additional questions you asked and your client's answers.

You have not complied with all the due diligence requirements if you checked **"No"** on line 20, 21, 22, 23, 24, or 25. You may have to pay a \$500 penalty for each failure to comply.

Part V – Documents Provided to You

- 26 Identify below any document that the taxpayer provided to you and that you relied on to determine the taxpayer's EITC eligibility. Check all that apply. **Keep a copy of any documents you relied on.** See the instructions before answering. If there is no qualifying child, check box a. If there is no disabled child, check box o.

Residency of Qualifying Child(ren)

- | | |
|--|--|
| <input type="checkbox"/> a No qualifying child | <input type="checkbox"/> j Indian tribal official statement |
| <input type="checkbox"/> b School records or statement | <input type="checkbox"/> k Employer statement |
| <input type="checkbox"/> c Landlord or property management statement | <input type="checkbox"/> l Other (specify) _____ |
| <input type="checkbox"/> d Health care provider statement | _____ |
| <input type="checkbox"/> e Medical records | _____ |
| <input type="checkbox"/> f Child care provider records | |
| <input type="checkbox"/> g Placement agency statement | <input type="checkbox"/> m Did not rely on any documents, but made notes in file |
| <input type="checkbox"/> h Social service records or statement | <input type="checkbox"/> n Did not rely on any documents |
| <input type="checkbox"/> i Place of worship statement | |

Disability of Qualifying Child(ren)

- | | |
|--|--|
| <input type="checkbox"/> o No disabled child | <input type="checkbox"/> t Did not rely on any documents, but made notes in file |
| <input type="checkbox"/> p Doctor statement | <input type="checkbox"/> u Did not rely on any documents |
| <input type="checkbox"/> q Other health care provider statement | |
| <input type="checkbox"/> r Social services agency or program statement | |
| <input type="checkbox"/> s Other (specify) _____ | |