

2023

Paid Preparer's Due Diligence Checklist for California Earned Income Tax Credit

3596

Attach to taxpayer's original or amended California Form 540, 540 2EZ, or 540NR.

Name(s) as shown on tax return

SSN or ITIN

Part I Due Diligence Requirements

- 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** Did you complete form FTB 3514, California Earned Income Tax Credit, based on current information provided by the taxpayer or reasonably obtained by you? **2** ☐ Yes ☐ No
- 3** 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? **3** ☐ Yes ☐ No
- 4** Did you satisfy the knowledge requirement? To meet the knowledge requirement, you must do both of the following:
- Interview the taxpayer, ask questions, and contemporaneously document the taxpayer's responses to determine that the taxpayer is eligible to claim the California Earned Income Tax Credit (EITC)
 - Review information to determine that the taxpayer is eligible to claim the credit and for what amount. **4** ☐ Yes ☐ No
- 5** Did any information provided by the taxpayer, a third party, or reasonably known to you, in connection with preparing form FTB 3514, appear to be incorrect, incomplete, or inconsistent? **5** ☐ Yes ☐ No
(If "Yes," answer questions 5a and 5b. If "No," go to question 6.)
- a** Did you make reasonable inquiries to determine the correct, complete, and consistent information? **5a** ☐ Yes ☐ No
- b** Did you contemporaneously document your inquiries? (Documentation should include the questions you asked, whom you asked, when you asked, the information that was provided, and the impact the information had on your preparation of form FTB 3514.) **5b** ☐ Yes ☐ No
- 6** Did you satisfy the record retention requirement? To meet the record retention requirement, you must keep a copy of your documentation referenced in question 5b, a copy of this form, a copy of applicable worksheets, a record of how, when, and from whom the information used to prepare form FTB 3514 and worksheet(s) was obtained, and a copy of any document(s) provided by the taxpayer that you relied on to determine eligibility for or to figure the amount for the credit **6** ☐ Yes ☐ No
- List those documents provided by the taxpayer, if any, that you relied on.
- _____
- _____
- _____
- _____
- 7** Did you ask the taxpayer whether he/she could provide documentation to substantiate eligibility for and the amount of the EITC claimed on the return if his/her return is selected for audit? **7** ☐ Yes ☐ No
- 8** If the taxpayer is reporting self-employment income, did you ask questions to prepare a complete and correct federal Form 1040, Form 1040-SR, Schedule C, Schedule F, or Schedule SE? **8** ☐ Yes ☐ No
☐ N/A

Part II Due Diligence Questions

- 9 a** Have you determined that the taxpayer is eligible to claim the EITC for the number of qualifying children claimed, or is eligible to claim the EITC without a qualifying child? (If the taxpayer is claiming the EITC and does not have a qualifying child, skip questions 9b and 9c and go to Part III.) **9a** ☐ Yes ☐ No
- b** Did you ask the taxpayer if the child lived with the taxpayer for over half of the year, even if the taxpayer has supported the child the entire year? **9b** ☐ Yes ☐ No
- c** Did you explain to the taxpayer the rules about claiming the EITC when a child is the qualifying child of more than one person (tiebreaker rules)? **9c** ☐ Yes ☐ No
☐ N/A

Part III Credit Eligibility Certification

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

- A.** Interview the taxpayer, ask adequate questions, contemporaneously document the taxpayer's responses on the return or in your notes, review adequate information to determine if the taxpayer is eligible to claim the credit and in what amount;
- B.** Complete form FTB 3596 truthfully and accurately and complete the actions described in this checklist;
- C.** Submit form FTB 3596 in the manner required; and
- D.** Keep all five of the following records for 4 years from the latest of the dates specified in the instructions under Document Retention:
 - 1.** A copy of form FTB 3596,
 - 2.** The EITC worksheet(s) or your own worksheet(s),
 - 3.** Copies of any taxpayer documents you relied on to determine eligibility for and to figure the amount of EITC,
 - 4.** A record of how, when, and from whom the information used to prepare the form and worksheet(s) was obtained, and
 - 5.** A record of any additional information you relied upon, including questions you asked and the taxpayer's answers.

If you have not complied with all the due diligence requirements for the EITC claimed, you may have to pay a \$500 penalty for each failure to comply.

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- 10** Do you certify that all of the answers on form FTB 3596 are, to the best of your knowledge, true, correct, and complete? **10** ☐ Yes ☐ No
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