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February.

Jan. 20, 2017

Tax filing season for individuals opens on January 23, but for some, this doesn't mean a speedy refund can be counted upon. While IRS expects to issue nine out of ten refunds in fewer than 21 days, they'll be holding onto refunds for returns that claim the Additional Child Tax Credit (ACTC) and the Earned Income Tax Credit (EITC) until February 15.

This change was mandated by the passage of the 2015 Protecting Americans from Tax Hikes (PATH) Act, which included this delay as a measure intended to combat tax fraud.

While many taxpayers are familiar with the Child Tax Credit, which is worth up to \$1,000 per child, the ACTC is a little more complicated. The EITC, which about 20 percent of eligible taxpayers fail to claim, can also be difficult to understand. We asked enrolled agent Frank Degen, EA, USTCP, a federally licensed tax practitioner in Setauket, NY to explain these credits in laymen's terms.

"The ACTC allows a taxpayer whose tax credit is more than the amount of his or her tax liability to receive the *unused portion* of the Child Tax Credit," said Degen. "For example, if your tax liability is \$600 and your Child Tax Credit is \$1,000, you would not receive any benefit from \$400 of the credit. However, eligible taxpayers can claim the ACTC, and could receive a refund of the \$400." Degen went on to explain, "The EITC was developed to help out low-to-moderate income taxpayers based upon their family size, income and other factors. It's a shame so many people fail to take advantage of this credit, because it can be substantial – for 2016 the maximum amount for an EITC credit is actually \$6,269."

IRS advises taxpayers claiming those credits that, although it will begin to release the

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Clearly, taxes are complicated, and nobody wants to miss out on credits and deductions to which they are entitled. According to the IRS, roughly 60 percent of U.S. taxpayers pay for tax preparation. Unfortunately, that doesn't guarantee that their taxes will be prepared correctly. Many return preparers are never tested on their knowledge of current taxation issues; nor are they required to complete annual continuing education to keep up with the constantly changing tax code. To earn IRS's own credential, enrolled agents ("EAs") must undergo a background check, pass a stringent three-part exam (or have relevant experience as a former IRS employee), and complete annual continuing education courses. EAs are known as "America's tax experts." To find an enrolled agent in your area, go to www.eatax.org.

Enrolled agents (EAs) are the only tax practitioners licensed by the IRS who specialize in taxation and also have unlimited rights to represent taxpayers before the IRS.

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