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PRODUCT & SERVICE GUIDE

IRS Adds Head of Household to Due Diligence Checklist

The Treasury Department and the Internal Revenue Service have issued final regulations expanding the long-standing paid preparer due diligence requirement to include individual income tax returns claiming the head of household filing status.

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The Treasury Department and the Internal Revenue Service have issued final regulations expanding the long-standing paid preparer due diligence requirement to include individual income tax returns claiming the head of household filing status. Paid preparers are subject to a penalty of \$520 for each failure to comply with the requirement. The penalty is indexed to inflation.

The final regulations, available in the [Federal Register](#), implement a provision included in the Tax Cuts and Jobs Act (TCJA), the tax reform legislation enacted in December 2017. The additional requirement will apply starting with 2018 returns, prepared on or after November 7, 2018.

The due diligence requirement was originally designed to reduce errors on returns claiming the Earned Income Tax Credit. Legislation in 2015 expanded the due diligence requirements to include the Child Tax Credit, Additional Child Tax Credit, and American Opportunity Tax Credit. Under the TCJA, the due diligence requirement now also applies to individual income tax returns claiming the head of household filing status. Temporary and proposed regulations were issued in

December 2016 to implement the 2015 changes, which today's regulations also finalized.

Paid preparers must submit [Form 8867](#), Paid Preparer's Earned Income Credit Checklist, with every tax return claiming any of the covered tax benefits. The form is designed as a checklist to help paid preparers meet the requirement by obtaining eligibility information from their clients. The form will be revised later this year to reflect the addition of the head of household filing status. Paid preparers are required to keep copies of the form or comparable documentation for their records, which is also subject to review by the IRS.

For updates on this and other TCJA provisions, visit [IRS.gov/taxreform](https://www.irs.gov/taxreform).

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