

IRS Due Diligence Videos  
Tie Breaker Rule—Aunt Joan  
FINAL

## VIDEO

FILM NOIRE LOOK. OPEN ON  
PREPARER WALKING TOWARD HIS  
OFFICE. HE OPENS THE DOOR AND  
FINDS A WOMAN SITTING IN THE  
CHAIR BY HIS DESK. SHE IS BLURRY.

TITLE CARD UP:  
TAX TALES  
**THE CASE OF THE UNCLEAR AUNT**

CUT TO PREPARER'S OFFICE &  
CLIENT JOAN. AS SHE TALKS, WE  
ARE LOOKING AT HER THRU THE  
PREPARER'S EYES, BLURRY AT FIRST  
WHILE HE SETTLES DOWN TO HIS  
DESK, THEN MORE CLEARLY AS WE  
GAIN DETAILS OF JOAN AND AS THE  
PREPARER PUTS ON AND ADJUST HIS  
GLASSES.

## AUDIO

SIGNATURE MUSIC.

PREPARER VO: Spend enough time in this  
business, you think you've seen it all. No  
surprises left. Then life slaps you with a  
reminder—things aren't always what they  
seem.

PREPARER: Joan? Joan, is that you?

JOAN: Yes.

PREPARER: How are you?

JOAN: Fine, how are you today?

PREPARER: Good. Thanks for coming in.

JOAN: Thank you.

PREPARER: What can we do for you  
today?

JOAN: Ok, I have a niece named Ashley.  
She lives with me and my brother Ed, her  
Dad. We share the house and we share the  
expenses for raising Ashley. Now, Ed and I  
talked about this and he said it's fine for me  
to claim Ashley on my taxes this year so I  
can get the Earned Income Tax Credit.

PREPARER: Hold on a sec, Joan...  
(GLASSES LEND FOCUS)...ah, there  
that's better. There are just a few things I  
need to ask so I can determine if you are  
eligible.

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**ARTCARD:**

FOLLOW THE CLUES.

JOAN

35

\$27,000

ED

50

\$5,000

QUICK CUTS OF PREPARER  
DOING CHECKLIST FORM AND  
THINKING IT THROUGH. WORDS  
WRITTEN ON SCREEN SCALE UP  
FRONT AND CENTER ONE AT A TIME,  
RECEIVE A CHECKMARK AS  
PREPARER WORKS WAY THROUGH  
FORM.

ED'S AGE: 50

ED'S INCOME: \$30, 500.

**AUDIO**

JOAN: Sure.

PREPARER: What is your age and what is your income?

JOAN: I'm 35, and I make \$27,000 a year.

PREPARER: And Ashley's dad, Ed? Do you know what his income was this past year? And what is his age?

JOAN: Ed makes about \$5,000. He only works part-time. And he's 50. He's my "older" brother.

PREPARER: And Ashley's mother?

JOAN: Oh, she died in a car accident over a year ago. That's how I came to live with Ashley and Ed.

PREPARER: OK, Joan, let me run down my checklist and do a little bit of calculating.

JOAN: So how's it looking? Do I get the EITC?

PREPARER: You can, indeed. You and Ed both meet the age, relationship and residency requirements. And since your income is higher, you and Ed can choose which of you wants to claim the EITC this year for Ashley.

JOAN: Great. Whew! I was a little worried I had to be her parent to qualify.

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CUT BACK TO THE BEGINNING OF  
THE GLASSES MOMENT OF CLARITY.

JOAN  
35  
\$27,000

ED  
\$5,000  
\$30,000

**AUDIO**

PREPARER: Not always. But you know Joan, it might be a different story had Ed made more than you.

PREPARER: How old are you and what is your income?

JOAN: I'm 35 and I make \$27,000 a year.

PREPARER: And Ed?

JOAN: I'm not sure exactly. He works part-time. \$5,000 I think. Not including the Money Market Account.

PREPARER: Money Market?

JOAN: When his wife died, Ed put the money from the life insurance into an investment that pays him an income – \$30,000 a year.

PREPARER: OK, Joan, let me run through these numbers and do a little calculating here.

JOAN: So how's it looking? Do I get the EITC?

PREPARER: This year, neither you nor Ed can claim the EITC. Since Ed has a higher income than you, the tie breaker rules don't apply. So only Ed could claim Ashley. But, Ed makes too much investment income to qualify for EITC. However, he does have some child benefits that he can claim on his return. As for you, Joan, I'm sorry.

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**VIDEO**

**AUDIO**

**DUE DILIGENCE MUST DO'S:**

REMEMBER TO WORK THE PARENT  
AGI ISSUES FIRST. THE TIE BREAKER  
RULES DON'T ALWAYS APPLY.

LOOK FOR INCOME BEYOND THE W-  
2.

ARTCARD:

**DUE DILIGENCE**

**Give your clients their due.**