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.
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.
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.
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.