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December 2016

**Very Important Information for your 2016 Income Tax Return**

Dear Client;

Roughly a year ago the President signed into law the PATH Act (Protecting Americans from Tax Hikes). This law affects you because according to your 2015 tax return we show that you claimed one or more of the three (3) REFUNDABLE TAX CREDITS described below and on the Form 8867 Paid Prepares Due Diligence Checklist.

- . . . . . E.I.C – Earned Income Credit which is a credit for having qualifying child(ren) in your household and earned income below certain thresholds for your specific filing status. Refer to line 66a of your 2015 1040 income tax return.
- . . . . . C.T.C/A.C.T.C – Child Tax Credit/Additional Child Tax Credit which is a credit to reduce income tax liability to zero and to actually refund any excess. This \$1000 per child credit pertains to any qualifying child age 16 and under residing in your household. Refer to lines 52 AND/or 67 of your 2015 1040 income tax return.
- . . . . . A.O.T.C – American Opportunity Tax Credit which is the large college credit (up to \$2500) per student which could reduce income tax liability to zero with the remainder being refundable. Refer to lines 50 AND/or 68 of your 2015 1040 income tax return.

This new law requires that the **PREPARER** collect and retain certain documents from the client. Please refer to the reverse side of this letter for details. The PATH Act goes into affect January 1, 2017. If you qualify for one or more of these credits the IRS will **HOLD YOUR REFUNDS** until at least February 15, 2017. Also please refer to the expanded Form 8867 attached. The three columns refer to the three credits. To keep from being assessed large penalties Dedra and I will need to ask you, and then complete all these questions on this form. We also are required to retain the documents provided by you.

Folks, we unfortunately live in a time when record number of identities are being stolen and hacked, especially those of children. Also a large percentage of children now reside in two or possibly three different households. The US Congress has delegated to the IRS and the IRS has threatened prepares with due diligence penalties. Dedra and I will need to retain documents **BEFORE** we are able to properly prepare and E-file your return. In short; **THOU SHALT ANCHOR YOUR CHILDREN TO YOUR RESIDENCE OR YOUR REFUND WILL BE IN JEOPARDY.**

There are TWO TIERS of documents that the preparer must receive and retain in order to properly prepare and e-file your return. WE WILL NEED AT LEAST ONE ITEM FROM EACH TIER.

TIER ONE  
PROOF OF CHILD(REN) RELATIONSHIP

- ..... Social Security Card
- ..... Birth Certificate
- ..... Adoption Papers

We need to collect tier one documents only once.

TIER TWO  
PROOF THAT CHILD(REN) LIVES WITH CLIENT  
Documents that have child(ren) names and address

- ..... \*School records, school letter, report card
- ..... Landlord or property records
- ..... Health care provider statement
- ..... Medical records
- ..... Childcare provider statement
- ..... Placement agency statement
- ..... Social service records
- ..... Place of Worship statement
- ..... Employer statement

We need to collect tier two documents each and every year on each child.

\* In addition to school records that anchor a college age child to your residence, we will also need Form 1098-T AND your dependent students tuition transcript for last year as well as the cost of books. We will need this information to file for any tuition credits or education deductions.

Please see our Website the first part of January for the most current newsletter.