TAXAD 102 – Tax Law, Ethics, and Due Diligence

Comprehensive Outline

Module 1) Course Purpose + The Tax Admin's Role in Ethics & Due Diligence

Goal: Understand what a Tax Administrative Assistant *can* do, *must* do, and *must not* do in a tax practice.

Key ideas

- You support the **process** (documents, workflow, deadlines, organization)—not the tax advice.
- Ethics in a tax office = **confidentiality** + **accuracy** + **honesty** + **documentation** + **escalation**.
- Due diligence = "**reasonable care**" to avoid preventable errors, missing info, and identity issues.

What you will be able to do

- Build an **audit-ready client file**
- Identify **missing/contradictory documents**
- Use **checklists** and **follow-up scripts**
- Escalate **red flags** to the preparer

What you must not do (UPL / tax advice risk)

- Tell a client what deduction/credit they qualify for
- Recommend filing status or how to report income
- "Estimate" numbers to make a return work

Module 2) Tax Law Basics for Admin Staff (High-Level)

Goal: Learn the big picture of how tax law is organized so you can understand instructions and documents.

Table: Where the rules come from (practical view)

Authority type	What it is	How it shows up in office work	Admin support task
Tax statutes	Laws passed by Congress	eligibility rules for credits/deductions	route questions to preparer
Treasury regulations	Detailed rules interpreting statutes	definitions, tests, documentation	keep correct records requested
IRS guidance	Publications, forms instructions, FAQs	practical filing guidance	use as *process* reference only
Court cases	Disputes/interpretations	unusual issues, audits	flag "needs attorney/preparer"
State tax law	state returns, credits	residency, withholding	track state-specific documents

Example

- Client asks: "Can I deduct this?"
  ☑ Admin response: "I'll note your question and have the preparer review it. Please upload the receipt and any related statements."

Module 3) Ethics Standards in Tax Offices (Practical Rules of Conduct)

Goal: Apply ethical behavior to daily admin tasks.

Core ethics principles

- **Confidentiality:** protect taxpayer data (SSN, DOB, wage info)
- **Integrity:** no falsifying, no backdating, no "fixing" numbers
- **Competence (admin level):** follow office procedures and checklists
- **Objectivity:** treat all clients consistently
- **Documentation:** if it isn't logged, it didn't happen

Table: Ethics risks + correct admin behavior

Situation	Risk	Correct action
Client wants you to "just put $5,000" for expenses	fraud/false return	refuse; explain you need documents; escalate
Spouse calls asking for info	unauthorized disclosure	verify authorization; follow policy
Client emails SSN in plain text	data security	ask to use secure portal; delete/secure per policy
You notice W-2 and paystubs don't match	accuracy issue	flag to preparer; request clarification

Module 4) Due Diligence: What It Means in a Tax Practice

Goal: Learn the difference between "data entry" and "quality control."

Due diligence includes

- Completing all required intake fields
- Confirming identity and authorization
- Checking for missing documents
- Spotting inconsistencies
- Recording follow-ups and client statements accurately
- Using standardized checklists

Table: Due diligence checklist (admin version)

Category	What to verify	Evidence to collect
Identity	correct name, SSN/ITIN, DOB	ID copy (if policy), prior return
Filing status indicators	marital status changes	divorce decree, marriage date (if asked by preparer)
Dependents	correct names/SSNs, relationship	school/daycare records (if requested), custody docs
Income docs	all W-2/1099/K-1 present	forms, year-end statements
Address/residency	correct address, state	ID, lease/mortgage (if needed)
Banking	direct deposit info	voided check (policy-based)

Example

- Client claims 2 dependents but provides only 1 child's SSN → request missing SSN and relationship details; flag to preparer.

Module 5) Common "Red Flags" and How to Escalate

Goal: Identify situations that require preparer review immediately.

Table: Red flags (what you see) → what to do

Red flag	What it could mean	Admin action
Multiple W-2s but only one uploaded	missing income	ask for all W-2s; note "missing docs"
1099-NEC but no expense records	incomplete business info	request expense summary; escalate
Prior-year return shows Schedule C but client says "no business now"	change that affects return	ask if business stopped/sold; escalate
Large cash income claim	audit risk	document client statement; alert preparer
Client wants refund "as big as last year"	pressure/fraud risk	explain you can't estimate; follow process
Dependent claimed by another person	eligibility conflict	escalate; request custody/support docs if policy

Escalation protocol (simple)

1. Log issue in notes
2. Request missing items via checklist
3. Tag preparer/manager
4. Do not promise outcomes

Module 6) Identity Theft, Data Security, and Confidential Handling

Goal: Protect taxpayer data and reduce breach risk.

Secure handling rules

- Use **secure portals** for uploads (not text/email)
- Lock screens; clean desk policy
- Minimum necessary access
- Separate personal devices from firm systems (policy)

Table: "PII" and "Tax data" you must protect

Data type	Examples	Why it matters
PII	SSN, DOB, address	identity theft, fraud
Financial	bank acct, wages, 1099s	refund theft, scams
Tax credentials	e-file PIN, portal logins	unauthorized filing
Client communications	emails, notes	confidentiality obligations

Example

- Client emails driver's license photo → respond: "For your security, please upload through our secure portal. I'm deleting this email attachment per policy."

Module 7) Consent, Authorization, and Client Identity Verification

Goal: Ensure the right person is requesting service and the right people can access info.

Key concepts

- Confirm who the taxpayer is and who is authorized (spouse, POA, third-party)
- Follow office rules for **verifying identity** and **release of information**

Table: Authorization scenarios

Scenario	Allowed?	Required steps
Taxpayer requests transcript help	yes	verify identity; log request
Spouse calls but not listed	depends	confirm spouse authorization per policy
Parent calls about adult child	usually no	require written authorization
Friend wants status update	no	decline + request authorization

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Module 8) Client Interview Support: Asking Questions Without Giving Tax Advice

Goal: Collect facts, not opinions.

Table: Safe questions vs. unsafe questions

Safe (fact-gathering)	Unsafe (tax advice)
"Did you receive any W-2s or 1099s?"	"You should file as Head of Household."
"Any new dependents this year?"	"You can claim your boyfriend's child."
"Did you move states during the year?"	"You don't need to file in that state."
"Do you have receipts for expenses?"	"Just estimate your mileage."

Example scripts

- **Safe:** "To complete your file, we need all income forms. Please upload any W-2s, 1099s, and K-1s you received."
- **Boundary:** "That's a great question for the preparer—I'll flag it for review."

Module 9) Documentation Standards: Notes, Logs, and File Integrity

Goal: Keep a clean record of what was received and what was requested.

Table: What must be logged in a tax file

Log item	Minimum content	Example
Document receipt log	date + what + who uploaded	"2/13: W-2 ABC Corp uploaded by client"
Missing items list	what needed + due date	"Need 1099-INT, due 2/20"
Client statements	exact wording when relevant	"Client states: 'No other income sources.'"
Contact attempts	date/time/method/result	"VM left 2/14 re missing K-1"
Escalations	issue + who notified	"Flagged mismatch W-2 vs paystub to EA"

Module 10) Accuracy & Quality Control: Preventing Common Errors

Goal: Reduce preventable mistakes before the preparer touches the return.

Common admin-level errors

- Wrong SSN digits, wrong DOB
- Duplicate uploads or missing pages
- Wrong year documents (client uploads 2024 W-2 instead of 2025)
- Incorrect banking info
- Mixing spouse documents into wrong profile

Table: QC checks before routing to preparer

Check	What to confirm	Quick method
Tax year	documents match current year	look at top right of forms
Names/SSNs	consistent across docs	compare W-2 vs intake
Completeness	all pages included	page counts, "continued" pages
Duplicates	same doc uploaded twice	file names + form totals
Legibility	readable numbers	request re-scan if unclear

Module 11) Client Pressure, Fraud Requests, and Ethical Responses

Goal: Handle uncomfortable requests professionally.

Examples of improper client requests

- "Can you leave off this 1099?"
- "Just say my kid lived with me"
- "I paid cash—put something down"

Approved responses

- "We can only prepare returns based on complete and accurate information."
- "If you have documents to support it, please upload them."
- "I'll make a note for the preparer to discuss with you."

Escalate immediately if

- client asks to hide income
- client provides clearly altered documents
- client threatens staff or demands fraud

Module 12) Practice Scenarios (Hands-On Exercises)

Scenario A: Missing income form

Client uploads W-2 but mentions "side gigs."
Admin actions

1. Send checklist: 1099-NEC/1099-K, bank deposits summary (if policy)
2. Log: "Client reports side gig income"
3. Flag preparer: potential Schedule C

Scenario B: Dependent conflict

Client says they claim child, but other parent also claims.
Admin actions

1. Document client statement neutrally
2. Request custody/agreement docs if office policy
3. Escalate to preparer—no promises

Scenario C: Suspicious refund routing

Client wants refund deposited to third party.
Admin actions

1. Follow office policy; verify identity
2. Escalate to manager (refund theft risk)
3. Document request and response