

Due Diligence Documentation Guide

Build a file that explains what you knew and what you did

Good records connect the client's facts to your preparation decisions. This is a suggested file structure and interview aid, not a universal list of documents every taxpayer must provide. Request records appropriate to the facts; retain copies of taxpayer documents relied on for covered benefits.

Recommended file structure

Folder	What belongs here
01 Intake and identity	Annual intake, identity verification record, engagement and information source details. Limit access to sensitive identifiers.
02 Interview and follow-up	Dated questions, answers, participants, communication method, inconsistencies and how they were resolved.
03 Supporting records	Copies of relevant records actually provided and relied on; identify the fact each supports.
04 Computations	Credit worksheets, household cost calculations, business income and expense analysis, and other applicable schedules.
05 Final filing record	Completed return, Form 8867, required signed authorization, filing acknowledgment and final review record.

Make each note useful

- ☐ State who supplied the information, when it was received, how it was received, the relevant tax year and the preparer recording it.
- ☐ Write the actual follow-up question and the client's answer. A general entry such as "due diligence completed" does not explain what was discussed.
- ☐ Identify the inconsistency and its resolution. Distinguish an oral answer from a fact supported by a particular document.

Software check: Review the document list carried to Form 8867. A checked item should reflect what happened in that specific file. Do not mark a document as received or retained when it was not.

Need help protecting your tax practice? [Schedule a confidential consultation](#) | (770) 829-0529

Sources [Treasury Regulation 1.6695-2](#); [IRS Form 8867 instructions](#); [IRS Publication 4557](#). Reviewed October 22, 2026.

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Examples of records to consider

Issue	Possible records and follow-up
Residency or relationship	Relevant school, medical, childcare or other records; household timeline; relationship explanation. Consider the period and person each record actually identifies.
Head of household costs	Housing, utility and other qualifying household cost records; amounts paid by each contributor; a calculation applying the tax-year rules.
Business income	Sales records, invoices, bank or payment platform activity, expense records and an explanation of cash receipts. Address incomplete or inconsistent records.
Education credit	Form 1098-T where required, account statements, payment records, scholarships and other assistance, enrollment and prior-year credit history.

These are examples, not a mandatory document package. One record may not establish every eligibility fact. Do not collect unnecessary medical details or other sensitive material when a less intrusive record will address the issue.

Preserve the original file

Retain the original notes and version history. Date later supplements honestly; do not present a later recollection as a contemporaneous interview note. Keep a readable, retrievable file under a written retention and security policy. Use the separate Record Retention Guide to set destruction dates.

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