

## **2009 and 2010 TAX PLANNING**

### **PART I**

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#### **1. Home Buyer Tax Credits**

The National Association of Home Builders has set up a website to find answers to your questions about the \$8,000 tax credit for first time home buyers and \$6,500 tax credit for qualified repeat home buyers. Go to [www.federalhousingtaxcredit.com](http://www.federalhousingtaxcredit.com). See recap of tax credit information at a glance at the end of this outline.

The “new” tax credit is available for qualified purchases with a binding sales contract in place on or before 4/30/2010 and closed by 6/30/2010. For qualified military, Foreign Service or employees of the intelligence community, these dates are extended one year.

For sales occurring after November 6, 2009, the new law establishes higher income limits for the \$8,000 tax credit of \$125,000 for single taxpayers and \$225,000 for married couples filing joint returns.

#### **2. Dependency Exemption for Divorced or Separated Parents**

If a taxpayer is a noncustodial parent and wants to claim a child as a dependent then he or she must be sure to attach IRS Form 8332, Release/Revocation of Release of Claim to Exemption for Child by Custodial Parent. This new rule is effective for all divorce decrees entered into after July 2, 2008. This new IRS regulation is first effective for 2009 tax returns and was not required in 2008 and prior years. In 2008 and prior years non-custodial parents could attach relevant pages of the divorce decree to their tax return to claim a dependency exemption.

There is an exception to the new rule. If the divorce decree was executed prior to July 2, 2008 and the decree constitutes a statement substantially similar to Form 8332 under the requirements in effect at the time the decree was executed, then the non-custodial parent can attach relevant pages of the divorce decree to their tax return to qualify for the dependency exemption.

The IRS statute identifies three requirements to be met in order for the non-custodial parent to claim the dependency exemption.

The divorce decree must provide:

1. The exemption is available without regard to any conditions, such as payment of support.
2. The custodial parent will not claim the exemption and
3. The years in which the non-custodial parent can claim the deduction.

If the years are not identified in the decree, or if the decree requires the non custodial parent to pay child support to claim the exemption, then the exemption is not available to the non-custodial parent.