

Dear Clients and Friends,

In addition to being recognized this month by the NJSCPA as one of the "50 over 50" for his contributions to the CPA profession, the Society, and the community, Marty also appeared on the Jeff Allen Show, on 570 News, to discuss his take on the "IRS Scandal." To listen to the interview, click here:

<http://www.youtube.com/watch?v=fTk5NoR8a4E> .



Important Considerations for Divorcing/Divorced Parents

There is often a disconnect in the handling of dependency exemptions and the related tax credits between what courts advise a taxpayer to do and what the Tax Code actually permits. This can cause all sorts of problems for divorced parents, particularly when determining who is entitled to take the dependency exemption, the child and dependent care credit, the child tax credit, the earned income credit, and claim the beneficial head of household filing status.

Form 8332, Release of Claim to Exemption for Child of Divorced or Separated Parents, only provides the non-custodial parent with the ability to claim the dependency exemption and the child tax credit. This means that only the custodial parent (even having provided a Form 8332 to the non-custodial parent) has the right to the child and dependent care credit, the earned income credit, head of household filing status and the exclusion for employer provided dependent care assistance.

As tax advisors, I believe that we have a responsibility to fully understand and explain all of the tax implications of such matters to our clients and to follow up to make certain that they are adhering to the agreements that they have entered into. Additionally, it is important to work with and advise our clients' attorneys on these matters.

The recent Michael Keith Shenk, (2013) 140 TC No. 10 ruling reiterates how important it is that the non-custodial parent make certain that: 1) their judgment for divorce includes language to require the custodial parent to provide the necessary Form 8332 to them, and 2) they obtain and attach the Form 8332 to their filed tax returns.

For more information and other items to consider, please see the interview that I was privileged to do with Accounting Today's Senior Editor, Roger Russell [click here](#).

The Child and Dependent Care Credit (Not Just for Parents)

If you are a working parent(s) and pay for the care of your dependent child (children) under the age of 13 so that you can work, you may be able to claim the Child and Dependent Care Tax Credit. You (and your spouse) must have earned income. Eligible expenses are limited to the earned income of either the taxpayer or spouse, whichever is less. Please note that there is an exception to this rule for a spouse that is a full-time student or disabled. Married taxpayers must generally file a joint return.

Expenses are not eligible if paid to the taxpayer's spouse, the parent of the taxpayer's qualifying child, a person the taxpayer can claim as a dependent, or the taxpayer's child who is under 19 at the end of the year.

For this credit, a qualifying individual also includes the taxpayer's dependent who is physically or mentally incapable of caring for himself or herself and who lives in the same principal place of abode with the taxpayer for more than half the year, such as a disabled spouse or parent. Please note that a person who would have been the taxpayer's dependent, except that their gross income exceeded \$3,800, or they filed a joint return, or the taxpayer could be claimed as a dependent on someone else's return, is still treated as a dependent for this purpose.

This is a nonrefundable credit of between 20 and 35 percent (depending on your adjusted gross income) of the costs, up to \$3,000 for one qualifying individual and \$6,000 for two or more qualifying individuals (must be reduced by any tax-free benefits received under an employer provided dependent care benefits plan), expended on qualifying expenses. Please contact our office for more information or to determine if you qualify for this valuable credit.

EMPLOYMENT OPPORTUNITY - TAX ATTORNEY

We are seeking to hire a tax attorney. For more information, please see www.njtaxattorneycpa.com . Please send a resume and cover letter to employment@taxattorneycpa.com.

With warm regards,

Robbin Weiner