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TAXING INFORMATION YOU NEED TO KNOW !!

by Fred L. Coover, Esq.

By law, the dollar amounts for many tax provisions must be adjusted on an annual basis to keep pace with inflation. Key changes affecting virtually every Taxpayer's 2009 returns have been implemented by the IRS.

VALUE OF PERSONAL AND DEPENDENCY EXEMPTION INCREASED BY \$150 TO \$3,650 IN 2009.

Exemptions reduce your taxable income. Generally, you can claim exemptions for yourself, your spouse and each person you can claim as a dependent.

The amount you can deduct for each exemption has increased from \$3,500 in 2008 to \$3,650 in 2009.

NEW RULES FOR DIVORCED AND SEPARATED PARENTS IN 2009.

Beginning with 2009 tax returns, a non-custodial parent claiming an exemption for a child can no longer attach pages from a Divorce Decree or Separation Agreement. Instead, if the Decree or Agreement was made after 2008, a specific IRS form signed by the custodial parent must be attached to the non-custodial parent's return.

STANDARD DEDUCTION INCREASES IN 2009.

According to IRS statistics, almost two-thirds of all Taxpayers take the Standard Deduction instead of itemizing deductions. In 2009, the Standard Deductions have increased depending upon the filer's status:

Married Filing Jointly:	Increased by \$500 to \$11,400
Singles and Married Filing Separately:	Increased by \$250 to \$5,700
Heads of Household:	Increased by \$350 to \$8,350

TAX BRACKET THRESHOLDS INCREASED.

Beginning with 2009 tax returns, the tax-bracket thresholds have increased depending upon the filer's status for a married couple filing jointly, the tax-income separating the 15% bracket from the 25% bracket has increased to \$67,900.

ANNUAL FEDERAL GIFT TAX EXCLUSION INCREASED BY \$1,000.

If you give someone money or property during your lifetime, you may be subject to federal gift tax and estate tax. Most gifts are not subject to gift tax. Gifts to a spouse or charity are usually not subject to tax. Gifts to others, including children, may be.

Generally, the recipient of your gift [or bequest under your Will] will not have to pay any federal gift or estate tax because of the gift.

In 2009, the annual gift exclusion has increased from \$12,000 to \$13,000 per recipient.

FEDERAL UNIFIED CREDIT UNCHANGED/ESTATE TAX EXCLUSION INCREASED BY \$1.5 MILLION.

Certain credits may reduce or eliminate your federal gift or estate tax liability.

In 2009, at \$345,800, the unified credit against taxable gifts remains at the same level as 2008 [exempting \$1,000,000 from tax]; but the applicable estate tax exclusion has increased from \$2,000,000 to \$3,500,000. Accordingly, starting in 2009, a married couple may be able to transfer up to \$7,000,000 free of federal estate tax.

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At ***COOVER & BARR LLC-ATTORNEYS AT LAW***, we and our Associate Counsel are prepared to help you with your estate planning and probate issues promptly and efficiently.

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