



## Your Taxes and Financial Matters

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### Will home foreclosure affect your tax bill?

The Housing Assistance Tax Act of 2008, part of the housing bill signed into law on July 28, includes two homeowner-targeted provisions that may benefit you, and one that could hurt.

Are you wondering about the current status of tax laws regarding home foreclosures?

You may remember that back in 2007, when the housing crisis first became evident, Congress enacted the Mortgage Forgiveness Debt Relief Act to provide a tax break if you lost your home through foreclosure in 2007, 2008 or 2009. The Emergency Economic Stabilization Act of 2008, passed in October 2008, extended the provision through 2012.

Here's a summary of tax relief presently available for foreclosures, short sales, and debt restructuring.

Generally, you can exclude from your taxable income debt forgiveness of up to \$2 million (\$1 million if you're married filing separately) on certain home loans when the forgiveness is related to your financial condition or a decline in your home's value.

You can claim the exclusion on fully or partially forgiven mortgage debt, as long as you used the proceeds to buy, build or improve your principal residence and the debt was secured by your home. Refinanced debt may also qualify.

Your lender will send you Form 1099-C, showing the amount of debt cancelled or forgiven. That information is used to complete Form 982, Reduction of Tax Attributes Due to Discharge of Indebtedness, which is attached to your tax return.

### Remember the Nanny Tax

Though it hasn't made headlines recently, the nanny tax is still around and it still applies to workers other than nannies. If you paid a household employee more than \$1,600 during 2008 (or will pay one more than \$1,700 in 2009) you may be liable for payroll taxes on their wages.

### Here's an overview:

What employees are covered? The nanny tax typically applies to all household workers, including cleaning crews and home health aides, when you control what work is done and how it is done. This is true even if you hire someone part-time or on a casual basis and pay the wages in cash.

There are exceptions, such as payments made to your spouse, parent, or under-age -21 child.

What taxes are due? The nanny tax includes social security, Medicare, federal unemployment, and state unemployment. Generally you will pay one-half of the social security and Medicare taxes and withhold the other half from your employee's wages. However, you can choose to pay the entire amount.

You do not have to withhold federal income tax unless your employee requests that you do on IRS Form W-4.

What taxes are due? You may be able to claim the child and dependent care credit on your personal tax return when you pay someone to care for a qualified dependent so that you can work.

Another potential savings: Set aside pretax money in an employer-provided flexible spending account to pay child and dependent care expenses.

Give us a call if you have questions about federal and state nanny tax responsibilities. We'll be happy to explain the rules and assist with the necessary



## Investments

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### Income, Savings, Wealth and Money

Everyone uses the terms income, savings, wealth and money, and they appear on a daily basis in all forms of media. But what do they exactly mean when used by economists and financial professionals?

*Income* is money received from employment, rentals or interest and dividends. Because it represents a flow, it is properly expressed per a given unit of time. For example, assume that 20 vacationers each pay the owner of a small hotel \$100 per night for their rooms. If they incur no additional charges for meals, room service, etc., the owner's income from the hotel for the duration of their stay would be \$2,000 per night.

*Savings* simply represents that portion of after-tax income that is left unspent. It too represents a flow, expressed per given unit of time. Returning to our example, if the hotel owner is fortunate enough to earn an income of \$2 million per year, out of which he is able to save 10 percent, his savings rate would amount to \$200,000 per year.

*Wealth*, often referred to as financial wealth or net worth, is the value of all an individual's financial assets, less all of his or her financial liabilities. Unlike income and savings, wealth does not represent a flow. Instead, it measures a specific value at a fixed moment in time.

*Money*, regardless of what it may or may not be the root of, is any financial asset that can be directly used to buy goods and services. It includes currency and deposits against which checks can be drawn.

It's worth pointing out that money and wealth need not maintain a direct relationship. For example, our prosperous hotelier may have paid all his bills and still been able to save millions of dollars over the course of his business career. But, for reasons known only to him, he keeps no more than \$1,000 in his personal checking account. Thus, although certainly wealthy, it would not be technically correct to say "he has a lot of money."

### For More Information

If you'd like to learn more, please write in care of News of Polonia - Investments].

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Joanna Moran  
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If you have additional questions about the ideas mentioned here and/or the many other strategies available to you, they may be directed to me at 800-CPA-KROL (272-5765), or you may write to:

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## Music News

By: **Marek Żebrowski and Krysta Close**

### Music of Wars and Stojowski continues to shine

The legacy of two Polish composers - Zygmunt Stojowski (1870-1946) and Henryk Wars (1902-1977) - whose manuscripts and personal papers were donated a few years ago to the Polish Music Center at USC, is being kept alive by recent performances in Poland. We are very pleased that the recognition of Stojowski's *oeuvre* continues apace, with continuing performances and recordings of his compositions. The unique position of Henry Wars in the history of Polish music—he was arguably the most popular Polish composer of modern times—was also officially acknowledged, at a special concert in Warsaw earlier this fall.

Henryk Wars-Warszawski was posthumously decorated with the Knight's Cross of the Order of Polonia Restituta on 29 September 2008 by the decree of Poland's President, Lech Kaczyński. The Order, established in 1921, is one of Poland's highest civilian decorations, given in recognition of outstanding achievements in the areas of education, art, culture, civic work, service to Poland, and contributions to the development of international relations.

The ceremony took place in Warsaw on 5 October 2008, during the Eleventh Polish Radio Music Festival. The 2008 Festival was entitled "Emigranci" and dedicated to presenting music by Polish composers residing abroad. The concert opened with Zygmunt Stojowski's Second Piano Concerto, Op. 32 in performance by English pianist, Jonathan Plowright. Mr. Plowright has been a champion of Stojowski's piano music for many years, performing at the PMC's 2006 Paderewski Lecture-Recital (dedicated to Stojowski) and recording Stojowski's solo compositions and piano concertos for the Hyperion label. Symphony No. 1 by Henryk Wars, performed by the National Symphony Orchestra of the Polish Radio and conducted by Michał Dworzyński, was the concluding item on the program.

In the official citation read by a special representative of President Kaczyński, Henryk Wars was singled out for his outstanding achievements in composition and his significant contributions to arts in Poland. The composer's grandson, Dennis Mitchell, accepted the Order on behalf of the Wars family currently residing in Southern California, with these words:

*On behalf of my grandmother, Elizabeth Wars, Henry Wars' two children—Diana Wars-Mitchell and my uncle, Robert Wars—four grandchildren and seven great-grandchildren, and the rest of the Wars family, we thank you for this most wonderful honor. Tonight, you show that his music has never left your hearts and that for over seventy years his songs are still known throughout Poland by the young and old alike. With this wonderful tribute you've welcomed my grandfather back home to his beloved Poland. On behalf of my family, thank you so much.*

Manuscripts of Henry Wars' symphonic music, including his Symphony No. 1, Piano Concerto, a three-movement orchestral suite, *City Sketches*, overture *Maalot* for orchestra, and numerous other smaller ensemble works and sketches, were donated to the Polish Music Center in 2005 by the composer's widow, Elizabeth Wars. Up to that point, Henry Wars (known as Henry Wars in the United States) had been recognized primarily as the composer of dozens of enduring hit songs and numerous film scores, written in Poland in the 1930s and later in Hollywood between 1950 and 1970. The unknown symphonic compositions by Wars were an

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## Legal

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### Extending a J-1 Visa

**Q: Is there any way to get my J-1 visa extended? I still have six months left out of the 18 months but I would like to stay longer if possible.**

**A:** The 18 month J-1 visas cannot be extended, however there are a couple of options which you should seriously consider as soon as possible.

If you hold a Bachelor's degree or its equivalent, you may be eligible to change your status from a J-1 to an H-1B, provided there are H-1B numbers available at the time you apply. H-1Bs are limited to 65,000 new ones each year and this year's annual numbers were used up on the first day of the application period, April 1, 2008.

However, many people who have a Bachelor's degree are unable to get an H-1B as the type of work must require the skills of a professional. For example, someone with a Bachelor's degree in Business Administration will generally not be approved for the position of office manager since a person could become office manager without having obtained a degree.

Whether you have a Bachelor's degree or not, you and your employer should investigate getting you on the road to a green card through the new PERM process. This new labor certification system should allow many people on temporary non-immigrant visas including, but not limited to, the J-1, H-1B, A, F, O and P visas, to get their green cards within a relatively short period of time. Even those who have very little or no time left on their J-1s may apply directly for a green card under PERM as J-1 visa holders are given "duration of status" to stay in the U.S. and without an actual date to have to leave by, they do not accrue unlawful presence under the current memorandum.

However, if more than 180 days passes after the J-1 work authorization ends the penalty is the person must apply for the green card outside the U.S. at the Embassy.

In order to apply under PERM, the employer must show that there is a shortage of qualified American workers in your occupation and that the employer has tried to find a worker to replace you and has been unsuccessful in their attempts. For nonprofessional positions like administrative assistants, assistant bar managers, carpenters, and most other construction positions only two Sunday newspaper advertisements are required along with a 30 day CalJobs posting, a ten day posting (including salary) at the job site, and a prevailing wage determination from the California employment office. The employer is required to keep for five years all the supporting paperwork including the actual newspaper pages, CalJobs printouts, postings, the prevailing wage report, any resumes received, and the employer's statement including a summary of how many people applied for the position(s), how many were hired, and why the others were rejected (i.e., no experience, no degree, no permanent right to work in the U.S.).

The application is submitted either electronically or by mail to the Department of Labor (DOL). Within 60 days it will either be approved, denied, or selected for proof of recruitment documentation.

Even though it is expensive, most people hire an attorney to help them get a green card through work as the process is so complicated and the procedures are rarely publicized. Immigration attorneys know how to apply the constantly

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