



Your Taxes and Financial Matters

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Recent housing law includes tax changes

The *Housing Assistance Tax Act of 2008*, part of the housing bill signed into law on July 30, includes two homeowner-targeted provisions that may benefit you and, one that could hurt.

First-time homebuyer credit. Purchase your first home after April 8, 2008, and before July 1, 2009, and you may be able to take advantage of a federal income tax credit of up to \$7,500.

You're considered a "first-time homebuyer" if you had no ownership interest in a principal residence during the three years before the purchase.

The credit is refundable, so you could get money back if the amount you're eligible to claim is more than the tax you owe.

The credit is reduced when modified adjusted gross income exceeds \$75,000 if you're single and \$150,000 if you're married filing jointly.

A house you construct qualifies, but one you purchase from relatives generally does not.

There's a recapture provision, meaning you'll have to pay the credit back in most cases. The payback period is spread over 15 years, beginning two years after you buy your home.

Additional standard deduction. For 2008 and 2009 you can deduct real property taxes even if you don't itemize.

The break takes the form of an increased standard deduction.

The amount of this benefit is the lesser of property taxes you actually pay during the year or \$500 (\$1,000 for married filing jointly).

Reduced home sale exclusion. Generally, up to \$500,000 (\$250,000 for singles) of gain on the sale of your principal residence is tax-free, as long as you meet time and use requirements.

The new rules, effective for sales after December 31, 2008, reduce the gain exclusion for "nonqualified use," such as use as a rental or as a vacation home.

The amount of the reduction is based on the amount of time after December 31, 2008, when the home is not the principal residence of you, your spouse, or former spouse. Some exceptions apply.

Extension period shortened

Partnerships are "pass-through" entities that file Form 1065 reporting partnership income but paying no income tax. Instead, the partners pay tax on their respective share of income on their personal tax returns. In the past, both partnerships and individuals could get a filing extension for six months beyond the original return filing deadline. This often created problems for partners who had difficulty getting partnership information (K-1s) on time to meet their individual extended filing deadline.

Effective for tax returns filed in 2009 (which includes the 2008 partnership return), the extension period for partnerships is shortened to five months, giving individual partners an extra month to get the information they need to file their individual returns on time.

Partnerships should mark their calendars; 2008 returns can only be extended until September 15, 2009, not until October 15 as in prior years.

If you have additional questions about the many 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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Investments

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401(k) Investment Choices

Retirement planning used to be relatively easy. All you had to do was work with a good company for a large part of your career and then collect your pension checks in retirement. In recent years, the traditional employer-provided pension plan has undergone a transformation. Previously, most pension plan investments were directed by the employer or a trustee. Today, most employers have adopted or are in the process of adopting a 401(k) or a similar type of retirement plan. These plans give more of the retirement planning responsibility back to the employee. If you participate in such a plan, generally you must decide how your 401(k) Plan assets will be diversified and invested.

Basically, a 401(k) Plan allows you, the employee, to defer a percentage of your income. Many employers match your deferrals in some way, and your contributions and those of your employer are placed in a special retirement account for your benefit. You choose how you want your retirement account money invested.

Choosing Your Investments

Usually you will have the opportunity to make choices from among a number of investments ranging in style from conservative to aggressive. Some financial advisors believe that an overly conservative approach to retirement planning may not provide sufficient funds for retirement over the long term. That's why many professional advisors recommend a growth or a moderate growth approach to investing when you are young, with a gradual shift to a more conservative outlook as you move closer to retirement age. Of course, your investment strategy depends not only on the number of years to retirement, but also on your individual goals and risk tolerance. Also, people are generally living longer, which means that you may need money for a substantial period of time after retirement.

As a hypothetical comparison between a growth investment approach and a conservative one, assume that you earn \$50,000 a year and wish to retire in 15 years. Assuming you defer 10 percent of your income (\$5,000) into a 401(k) Plan each year and assuming that your employer matches 50 cents on every dollar you defer (\$2,500), you will accumulate \$7,500 annually in the plan. Assume you choose more conservative investments with a return of 6 percent annually; in this case your 401(k) Plan account will grow to \$185,044 in 15 years. If inflation averages 4 percent a year, your 401(k) Plan money will grow just slightly faster than inflation. If, however, you selected more growth-oriented investments and were able to earn an 8 percent annual return, your 401(k) Plan assets would grow to \$219,933 in the same period—a more than \$34,000 difference between the conservative result and the growth result. Of course, this example is for illustrative purposes only and is not representative of any specific

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Music News

By: **Marek Żebrowski and Krysta Close**

Commemorating a Jazz Legend



"Astigmatic" is the name of the one and only recording ever made by one of Poland's greatest jazz composers and pianists, Krzysztof Komeda (1931-1969). It is also the name of a musical society founded in Poland in 2008 and dedicated to the preservation of his musical legacy. Now, 40 years since Komeda's tragic death, the Astigmatic Society and other institutions are marking the anniversary.

Born Krzysztof Trzciński in Poznań, Komeda studied music from an early age, wanting to be become a virtuoso pianist. The Second World War interfered with these plans, however, and he eventually decided to study medicine. Although Komeda became a medical professional, his interest in music, especially be-bop and jazz, remained.

In the 1950s he moved to Kraków, then a cradle of the emerging Polish jazz scene, and participated in numerous informal jam-sessions with such friends as Jerzy Matuszkiewicz, Andrzej Trzaskowski and Witold Kujawski. Together with these musicians, he formed the band named "Melomani" and began to perform throughout Poland. He also returned to Poznań, performing with Jerzy Grzeźwiński's Dixieland band at the First Jazz Festival in Sopot in 1956. Around the same time Komeda began performing with the saxophonist Jan Ptaszyn Wróblewski and vibraphonist Jerzy Milan, eventually forming the Komeda Sextet, a group dedicated to modern jazz. Trzciński's stage name, Komeda, was initially designed to separate his musical career from his medical profession. But the enthusiastic response of the audiences throughout Poland and the relaxed political atmosphere of the late 1950s led Komeda to devote his life to music.

Already in the early days of his career, Komeda began to diverge from the European modern jazz as practiced by Gerry Mulligan and the Modern Jazz Quartet, infusing his compositions with a fascinating mixture of classical roots, Slavic lyricism, and highly original musical textures. His group began to travel abroad to festivals in Grenoble, Moscow, and Paris. Komeda's show, *Jazz and Poetry*, was featured not only at the Jazz Jamboree in Warsaw in 1960, but was also presented at the Warsaw Philharmonic a short time later. Another of Komeda's shows, *Ballet Etudes*, was performed at the Jazz Jamboree in 1962 and established him as the foremost avant-garde jazz musician in Poland.

Simultaneously, Komeda's unique style began to be noticed by film directors such as Roman Polański and Andrzej Wajda. Komeda's scores to such celebrated films as *Niewinni czarodzieje* [Innocent Sorcerers] (1960) and *Nóż w wodzie* [Knife in the Water] (1962) opened another creative channel for this remarkable musician. During his short life Komeda wrote music for over thirty films, including *Dwaj ludzie z szafą* [Two Men and a Wardrobe], *Do widzenia, do jutra* [Good Bye, Till Tomorrow], *Szklana góra* [Glass Mountain], *Wyrok* [The Verdict], *Zbrodniarz i panna* [The Criminal and the

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Legal

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The penalties for being in the U.S. without status and how they often separate families for up to 10 years

Increasingly, I am meeting clients from Poland and other parts of the world who are facing separation from their spouses and loved ones due to the fact that they left the U.S. after being here out of status. Being in the U.S. without status for any more than six months subjects you to a ban from re-entering the U.S. once you leave. Many families are now separated for up to 10 years because one spouse has left the country and cannot get back in.

The U.S. citizen spouse here is usually incredulous: "I am a US citizen. Why can't I bring my husband here to the U.S.?" I am often asked. The reasons are simple and the solution is often problematic. Here's what the law says.

As a U.S. citizen, you can sponsor your spouse. If your spouse came here legally with a visa, and he never left the U.S. once he came, you should be able to get him the green card. But if he came here illegally or left the U.S. after staying here more than six months without status, this process is complicated and even dangerous. You should start the process only after a thorough understanding of the way it works, the risks you both are taking and the alternatives.

In the case of all spouses in the U.S. illegally or outside the US, an application for a green card must be filed here first. Later, the person needs to go to an interview in their home country, in this case Poland. This process is called "consular processing".

The problem is that when the person has been here without status, they are subject to very severe penalties under immigration law: if they are here more than six months but less than one year, they are subject to a three-year ban from this country; when they have been here more than one year without status – they are subject to being banned from this country for 10 years. The danger is that if he leaves the country to apply for the green card, he will be stuck outside the borders for ten years.

The spouse can apply for a waiver of this penalty, but these waivers are not always granted. He would need to show "extreme hardship" to you (or your children) if he is forced to stay outside the U.S. for 10 years. To do this, the application for the waiver is filed at the U.S. Consulate in Poland after the Consular interview, and the immigrant must wait there for a decision. The application must be very well documented and based upon strong arguments as to why his staying in Poland would cause an extreme hardship to you or any children you may have.

The Consulate applies various specific factors that it considers in evaluating "extreme hardship," – that is, deciding whether deportation would result in extreme hardship to the individual or to the individual's spouse. These include:

Age, number and immigration status of the individual's children and their ability to speak the native language and to adjust to life in the country of return;

Health condition of the individual's children, spouse, or parents, and the availability of any required medical treatment in the country to which the individual would be returned;

Existence of other family members who are or will be legally residing in the United States;

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