



## Your Taxes and Financial Matters

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### New rules provide tax savings now, benefits later

Whether you think the economy is on the road to recovery or stuck in neutral, one thing is clear: cutting taxes has never been more important. Fortunately, there are special incentives this year to both save taxes and help jump start the economy. The final months of 2009 may be your best opportunity in years to trim your tax bill and invest for the future.

#### Look on the home front

It's not too late to lower your 2009 taxes through energy efficient home upgrades. Installing qualified windows and skylights can provide a tax credit, as can installing exterior doors, roofing, and insulation that meet energy-saving standards. What's more, a tax credit is available for up to 30% of the cost of major energy-savers, such as a qualified solar water heater or geothermal heat pump.

Need a new car? The American Recovery and Reinvestment Act of 2009 provides a deduction for sales taxes paid on new cars, light trucks, motorcycles, and even motor homes. The deduction is limited to the tax on \$49,500 of the purchase price. You don't have to itemize to take the deduction, and if you live in a state without sales tax, you can still deduct other fees and taxes associated with the sale.

#### Invest in your business

The Recovery Act restored the higher Section 179 equipment expensing limit, allowing small businesses to write off as much as \$250,000 of new or used equipment purchased this year. In addition, brand new equipment, software, and leasehold improvements can qualify for a 50% first-year bonus depreciation deduction if purchased and placed in service before the end of 2009.

The Recovery Act also helps businesses invest in their most important asset, their employees. Employers can provide employees with a tax-free fringe benefit of up to \$230 per month for qualified mass transit and van pooling expenses.

#### Invest in yourself

Having thoughts about returning to school? Now may be the time. Up to \$4,000 of higher education costs for yourself, your spouse, or a dependent can be deducted from taxable income in 2009 if you meet the income limits (\$65,000 or less for singles, \$130,000 or less for joint filers). If income exceeds these amounts, the deduction drops to a \$2,000 limit. Above income of \$80,000 for singles and \$160,000 for couples, no deduction is allowed.

There's also a revamped Hope Credit for educational expenses. The credit is now named the American Opportunity Tax Credit, and it's been increased to \$2,500 a year. What's more, the credit applies to four years of college, not just the first two, and 40% of the credit is refundable. Income limits apply here too.

#### Help your favorite charity

Recent economic times have probably been hard on your favorite charity, and there are ways for you to help. Last year, Congress extended through 2009 the charitable IRA rollover provision which allows those aged 70½ or older to make tax-free distributions of up to \$100,000 direct from an IRA to a qualified charity. Businesses can help charities as well by taking advantage of the newly enhanced deductions for donations of qualified food, books, and computer equipment.

This is also a good time to look through your closets and donate unneeded clothing and other household items to charity. Just

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## Investments

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### Estate Planning for Business Owners

If you are an owner of or partner in a business, you may have an additional layer of estate planning to consider—especially since the business may be your family's largest asset. Selling your interest in your business to managers or partners through a buy-sell agreement—a document that is binding upon the parties and usually drafted by an attorney—can be an effective strategy, especially since a funding mechanism can be built into the arrangement. There are two main types of buy-sell agreements:

**Cross-purchase agreement**—Made between business partners, this agreement spells out the terms by which each partner may buy out the other(s) in the event of death, disability or retirement. The remaining owners buy the departing owner's share of the business at its current value. This creates an advantage for the remaining owners in that their cost basis in their new shares will equal the purchase price. This step up in basis may reduce their potential capital gains tax liability if they decide to sell their business interest in the future.

**Entity purchase or stock redemption agreement**—Established between the business and the business owners, this agreement sets forth the conditions under which the partnership or corporation agrees to buy an owner's interest, such as the retirement or death of an owner. There is a potential disadvantage to this approach, however: In contrast to the cross-purchase agreement, an entity purchase agreement does not increase the remaining shareholders' cost basis in the corporation. This could result in a significant capital gains tax when their interest in the business is sold. Both types of buy-sell agreements can be funded with life insurance purchased on the lives of the partners. For cross-purchase agreements, the number of policies purchased is calculated by multiplying the number of partners by the number of partners minus one. Each business owner buys a life insurance policy on all the other owners and pays the premiums for each policy. The entity purchase/stock redemption agreement requires only one policy on each owner's life. The business is both the owner and the beneficiary of each policy and pays all premiums. Life insurance can also be used to allow business owners to purchase policies that provide a balanced inheritance for heirs who have no interest in receiving a share of the family business. In effect, life insurance benefits equalize the value received by all heirs—those receiving an interest in the business and those who do not. Overall, succession planning allows for a smooth transition and provides peace of mind. At Morgan Stanley Smith Barney, working in concert with their legal and tax advisors, we have helped countless entrepreneurs with succession planning discussions. We can bring objectivity to this important first step to succession planning.

#### For More Information

If you'd like to learn more, please write in care of

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## Music News

By: **Marek Żebrowski and Krysta Close**

### The Polish Renaissance Rediscovered

A concert of "Musical Gems of the Polish Renaissance and Early Baroque" will be presented by members of the Wessex Consort, with friends from the Holborne Consort and soprano Krysta Close, on January 17<sup>th</sup> at 3:00 p.m. at the Church of the Good Shepherd in Beverly Hills (505 N. Bedford Dr.). This program will feature both secular works and sacred music on the Christmas theme of Mary and Child, from the most important Polish composers and music collections of the period. Although the Polish composers of the Renaissance and Baroque are less well known today than those of Italy, France, Germany and the Netherlands, their output nonetheless shares the influences and matches the skills of their European counterparts. However, what distinguishes music by Polish composers is the embellishment of the prevailing European styles with melodic turns and rhythmic devices based on folk music and local customs.

Kraków was the first capital of Poland, and its magnificent Wawel Castle, the original Polish royal seat, as well as Jagiellonian University, one of Europe's oldest universities (est. 1364), and various surrounding monasteries were the most important centers for music-making during this period. A strong Italian influence in art, music and architecture permeated all of these places located throughout the south of Poland. Because the highest levels of artistic skill were cultivated by Polish royal and clerical elites, the Renaissance and Baroque eras represented times of great cultural advancement for Poland, in music as well as art, scholarship and politics.

The program will open with the triumphant *Alleluia* of Mikołaj z Radomia [Nicolas of Radom], a prominent composer the first half of the 15<sup>th</sup> century whose works were widely performed throughout Poland and Europe. Although he was once thought to be the first Polish composer writing in the polyphonic style common throughout the rest of Europe at the time, the discovery of *Benedicamus Domino*—the oldest piece of Polish polyphony, written by an anonymous pen around 1300—shows that polyphony had been flourishing in Poland for 100 years before Mikołaj's time. Mikołaj z Radomia was nonetheless the first Polish composer to exhibit a sophistication and skill equal to that of his contemporaries across the Continent and his compositions prove themselves to be deserving of an equal place in the European canon.

Active in the first half of the 16<sup>th</sup> century at the court in Kraków, Mikołaj z Krakowa [Nicolaus Cracoviensis, or Nicolas of Kraków – who often signed music with "N.C."] was a composer of outstanding merit in both vocal and instrumental works. His output is crucial to the development of polyphony in Poland during the period of transition from 3- to 4-part writing. One example of his 4-part writing is the reverent Marian song *O przenasławniejsza Panno*, which has been gracefully arranged for solo voice and strings. The frequent use of quotations from Polish folk and popular instrumental music set the style of Mikołaj z Krakowa apart from those composers in Poland and throughout Western Europe who were composing strictly in the Venetian idiom. His works are preserved in the two of the most important documents of Polish Renaissance music: the Jan of Lublin Tablature (see below) and the Kraków Lute Tablature (ca. 1548).

The first known Polish tablature—*Tablatura Jana z Lublina* [the Jan of

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## Legal

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### What to do if you Marry a US Citizen

**Question:** I have been in the US three years now without status after coming here from Poland on a tourist visa. I just got married to an American woman. Could you give me some information on what to do to legalize my status?

**Answer:** You need to have your wife sponsor you so you can get your green card which will allow you to stay in the U.S. with your new family.

If you were to have the bad luck of being picked up by ICE (the Immigration & Customs Enforcement), they would most likely detain you in jail until a flight could be arranged and you could be removed to Poland. Many people who drive without a license are in danger of having this happen as more and more local police and California Highway Patrol departments are taking it on themselves to do ICE's job for them. If you are stopped for any driving infraction and do not have a license, in addition to the likelihood of having your car or truck impounded, you can also be held in jail until ICE can put a hold on you for removal. ICE has no duty to release you just because you are married to a U.S. citizen.

Therefore, you want to get started as soon as possible and have your wife sponsor you for permanent residence (a green card). To apply for the green card you need to show you entered the U.S. legally (i.e., still have your passport at least and the green I-94 card is also good to have), have not committed any serious crimes in the US, and meet the other requirements, including an immigration doctor's exam and your wife (or a co-sponsor – which can be anyone with a green card or who is a US citizen who meets the annual income requirement through employment or self-employment) will need to show current employment and last year's tax return to prove financial support. The two things you will need from home are your birth certificate showing your parents names and your vaccination records, if they are available.

Nationwide, filing is done by mailing the application to an address in Chicago where the filing fees are deposited prior to forwarding to the U.S. Citizenship & Immigration Services (CIS) National Benefits Center (NBC) in Missouri. In less than three years, government filing fees have increased from \$555 to \$1,365 for the temporary work permit and green card.

Initial processing times can vary, but normally ranges between one to six weeks after receipts are received. Initially, the applicant will be called to do biometrics, including fingerprints and signature and sometimes photographs. Once the biometrics and other processing is completed, within 90 days you should receive a one year work card. The work card allows you to obtain a valid social security number (if you do not already have one) and with the social security card you will also be able to get a driver's license. That alone should be reason enough to go ahead get the documents and paperwork together and file for your green card now!

It can take as little as 4 months in some locations to get an interview for a marriage-based green card. Unfortunately, some cases which should be approved on the day of the interview are delayed because the government has not done all the necessary background checks. Fortunately, once the case has been pending six months, it should be approved (if everything was fine at the interview) even if the security clearances are still pending. Depending on how long you

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