Your Taxes and Financial Matters

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Tax rebate checks coming this spring

Get ready for tax rebate checks expected to begin arriving in May. The checks are the centerpiece of the *Economic Stimulus Package Act of 2008*, legislation passed in the hopes of increasing consumer and business spending and keeping the U.S. economy from sliding into recession.

Here's what the new law contains and what it could mean for you.

♦ **Tax rebates.** Single taxpayers can receive a one-time rebate of up to $600; married couples who file a joint return may qualify for up to $1,200. If your 2007 adjusted gross income exceeds $75,000 (single) or $150,000 (married, joint), rebate amounts begin to phase out.

♦ **Rebates for those paying no tax.** Individuals with no tax liability but at least $3,000 of earned income in 2007 may qualify for a flat $300 check. Social security income and federal payments to disabled veterans and their widows qualify as earned income for rebate purposes.

♦ **Child rebates.** Those who qualify for the basic rebates may also get an additional $300 for each dependent child under age 17.

♦ **Business tax incentives.** The Section 179 limit for expensing business equipment purchases is increased for 2008 from $128,000 to $250,000, and the phase-out threshold is increased from $510,000 to $800,000. First-year 50% bonus depreciation is available for qualifying 2008 equipment purchases.

♦ **Homeowner help.** The new law increases the mortgage limits on loans issued by Fannie Mae, Freddie Mac, and the Federal Housing Administration.

New law provides some mortgage foreclosure relief

How do you pronounce MFDRA?

The acronym is a tongue twister, but the *Mortgage Forgiveness Debt Relief Act* stands for help if you're a homeowner facing foreclosure.

Here's why: Under prior law, if your lender forgave all or part of the amount you owed on your home mortgage, you could be taxed on the cancellation of that debt. Now, thanks to MFDRA, debt forgiveness on certain home loans can be excluded from your taxable income.

The main points of the new law are:

♦ You can permanently exclude from income up to $2 million of qualified forgiven debt.

♦ The forgiven debt must be for original or refinanced loans secured by your principal residence that you took out to buy, build, or improve your home.

♦ The exclusion applies to debt forgiven due to a decline in the value of your home or to factors related to your financial condition.

♦ The amount excluded from income reduces your basis in your home.

♦ The law is retroactive to January 1, 2007, and applies to debt forgiven in 2007, 2008, and 2009.

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***

Paderewski wrap - up

With the passing of 2007, we have closed the books on the Paderewski Monument Fund Drive. With all the facts and figures finally at hand, we would like to publish them along with our heartfelt thanks to the numerous individuals and institutions who contributed to the success of this project.

It is our wish to thank as many people individually as possible. In the listing that follows, we cite the names of contributors as they appear in our Fund Drive records. We hope we did not inadvertently exclude anyone from this list.

Our gratitude extends first and foremost to the leaders of Polish community in Southern California and the representatives of Polish government in the United States. Consul General Krystyna Tokarska-Biernacik helped to organize the Steering Committee in its early days. Consul Paulina Kapuścińska - first in her role as the Consul for Culture, then as Consul General - contributed immensely in terms of funding, liaison with the Office of Poland's First Lady and the Ministry of Culture and National Heritage, logistics, event reception, and also generously giving her time for day-to-day advice and support. Ambassador Janusz Reiter's gracious presence at the unveiling and his strong support of the Paderewski monument at USC were of great help to us.

Rich Widerynski and Marty Cepielik from the Polish American Congress have provided enormous enthusiasm and energy in promoting the Paderewski Fund Drive at all possible Polish events and gatherings in Southern California. John Garstka, treasurer of Polish American Historical Association kept the books and tracked the fundraising efforts through a special account he set up at the POLAM Credit Union. Jamee Harasick (also from PAHA) and Elizabeth Rudziński (from Polish National Alliance) were also helpful with their work on the Steering Committee. We are also in much debt to the Modjeska Club of Los Angeles and its president, Dorota Olszewska. The Club organized a very successful fundraising concert in the hospitable home of Stanley and Helena Kołodziey, whose charitable support of all Polish causes - including this one - is nothing short of exemplary.

We also appreciate the strong leadership of the Kościuszko Foundation and its president, Joseph E. Gore, and the Taube Foundation for Jewish Life and Culture - with Ted Taube, Shana Penn and Brian Campbell - whose substantial support was instrumental in meeting the Fund Drive goals.

And now, more details, beginning with the cost side. The expenses for the Paderewski Monument and installation added up to the sum of **$48,782.16**. These costs included the artist's fee, monument casting and shipping, and plaque casting and installation, as well as architectural drawings for the monument base and surrounding area, site preparation, grass and sprinkler installation, and tree planting and landscaping for the site at USC.

The Unveiling Ceremony and Paderewski Lecture-Recital expenses added up to the sum of **$9,991.76**. This amount included printing/mailing of announcements and invitations, printing of the "Paderewski Celebration" program booklet, USC office of protocol fees, purchase of music scores, rental of outdoor sound systems & communication equipment, rental of lectern & chairs for the unveiling, security for the site, VIP reception with the Dean of Music, Newman Concert Hall rental fees, performers' honoraria, and flowers.

Total expenses for the Paderewski Fund Drive: $58,773.92.

The generous individual donations to the Paderewski Fund Drive added up to **$11,047.00**, and included contributions from the following persons: Wieslaw & Zofia Adamowicz; Bernice Barr; Gale Barstow; Zygmunt Andy Bartkowski; Christine Barton; Helena Bernat; Katherine Bielski; Brad & Audrey Bigelow; Lucy Borik; Sławomir Brzeziński & Małgorzata Brzezińska; Walter & Harriet Brzozowski;

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Investments

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Cutting Out the Kiddie Tax: Why You May Want to Consider Moving to a 529 College Savings Plan

For more than a decade, parents have been stashing income in custodial accounts like Uniform Gifts to Minors Act or Uniform Transfers to Minors Act (UGMA/UTMA) accounts. The intent was to fund a child's college education while saving on taxes. In the past, custodial accounts were taxed at the child's lower rate, once he or she turned 14 and until he or she enrolled in college.

In 2007, Congress extended the tax rate to age 17. As of January 1, 2008, the so-called 'Kiddie Tax' was extended to age 23. The new legislation makes the taxation of custodial accounts more complex, as well as more expensive.

A 529 plan works a bit differently. It is not taxed at all on investment earnings or withdrawals, as long as the money is used for qualified higher-education expenses. When compared to custodial accounts, 529 plans are considered more effective from a tax efficiency standpoint. Therefore, investors saving for their children's higher education expenses may want to explore liquidating their existing account investment and moving the proceeds to a custodial 529 Plan. In addition, transferring an UGMA or UTMA into a 529 savings plan may also allow for limited impact on financial aid.

Once a 529 plan account is funded with the proceeds from a custodial account, the Beneficiary cannot be changed and the custodian is not able to take a non-qualified distribution. Although cashing out a custodial account is a taxable event, some investors may find it worthwhile to pay the taxes now, with capital gains rates being at historical lows. The tax savings - over the long-term - will likely make up for any higher fees paid by a 529 plan investor. Plus, when it is time to tap the 529 plan to pay for college costs, the tax bill on any gains will be zero, as long as the withdrawals are used for qualified higher-education expenses. Your financial advisor can help you determine whether funding a 529 college savings plan with the proceeds from a custodial account is in your best interest.

Investments in a 529 plan are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so an individual may lose money. Before your clients invest they should review a Program Disclosure Statement, which contains more information on investment options, risk factors, fees and expenses and possible tax consequences. Account owners should read the Program Disclosure Statement carefully before investing.

If an account owner or the beneficiary resides in or pays income taxes to a state that offers its own 529 college savings or pre-paid tuition plan (an "In-State Plan"), that state may offer state or local tax benefits, but only for participation in the In-State Plan. These tax benefits may include deductible contributions, deferral of taxes on earnings and/or tax-free withdrawals. In addition, some states waive or discount fees or offer other benefits for state residents or taxpayers who participate in the In-State Plan. An account owner may be denied any or all state or local tax benefits or expense reductions by investing in another state's

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Legal

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How do I sponsor my family member to come to the United States?

(Part Two)

Q: I have just become a U.S. citizen. I understand now that I have the legal right to sponsor some of my family back in El Salvador to come to the U.S. with a green card. Who can I sponsor and how long does it take for them to come to the United States?

A: Last week, I answered this question in general terms. As a U.S. citizen you can sponsor some of your relatives. There are different procedures depending upon who you are sponsoring to the United States. The government establishes one procedure for "Immediate relatives". This category includes:

Spouses of U.S. citizens;
Unmarried minor children of U.S. citizens; and
Parents of U.S. citizens.

If immediate relatives are in the U.S., an application for a green card can be filed here. In this article, I'd like to go over the specifics about how to do it when your relative qualifies to obtain adjustment of status in the United States.

The Procedure.

The application documents are now sent to a central office of the Department of Homeland Security for processing. The address where the documents are sent is: U.S. Citizenship and Immigration Services, Attn: FBASI, 427 South LaSalle – 3rd Floor, Chicago, IL 60605-1098 (if non-U.S. postal service) or P.O. Box 805887, Chicago, IL 60680-4120.

First I will discuss the process as it applies to parents and children of U.S. citizens, which is a bit simpler than marriage situations.

The primary form is I485, Application for Adjustment of Status to Permanent Residence. The form can be downloaded from the DHS website. The filing fee for the I485 is $325.

If the person you are sponsoring wants work permission, the applicant must file Form I-765, an Application for Employment Authorization. The filing fee for the I765 is $180.

If the person wants to travel while their application is pending, they must file Form I -134, an Application for Advance Parole. However, I do not recommend that any person going through adjustment of Status proceedings exit the country while their application is pending unless they have obtained an opinion from an experienced immigration lawyer that it is safe to do so. A person who has been out of status in the United States may cause themselves to be ineligible for adjustment of status by traveling while their application is pending.

In addition to the form, it is necessary to submit the following:

Copy of Birth Certificate of child
Copy of sponsor's Naturalization Certificate
Copies of immigrant's passport, US visa's and I-94 document
Copy of sponsor's tax returns for last three years
Copies of sponsor's recent pay stubs and /or W2s
2 color photographs of sponsor
4 color photographs of immigrant
Immigrant's Medical Examination
Fingerprinting fee in the sum of $70

Once the immigration service receives and reviews these materials, the case is scheduled for an interview. These interviews are relatively simple, as the relationship is usually proven by the birth certificates involved. The interviews focus mainly on the sponsor's ability to financially support the immigrant. Other potential reasons for disqualification of the immigrant are either a criminal record or a medical exclusion. However, most of these cases are

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