



Your Taxes and Financial Matters

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Tax rebate checks

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. Based on your 2007 return information, the Internal Revenue Service figures the rebate for you and will send it by mail or direct deposit without your having to take any further action.

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. The \$600 credit for individuals therefore phases out completely at \$87,000 adjusted gross income, and the \$1,200 credit for married couples filing jointly phases out completely at \$174,000 adjusted gross income.

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.

Rebates for those not required to file. If you don't have to file a 2007 tax return because your income is too low but you still qualify for a rebate because of your earned income level, combat pay, or receipt of Social Security benefits, the IRS nevertheless says that you must file a 2007 return for informational purposes or it will have no way to know you qualify.

Rebates for those on Extension. Because the rebates are based on your 2007 return, if you file your return after April 15, 2008, your rebate will be delayed. For example, individuals on extension this year who do not file their 2007 return until the extended October 15, 2008 deadline will not receive their checks until year-end. No checks will be sent after December 31, 2008.

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. These large mortgages are often called "jumbo mortgages." The government hopes that by backing these larger mortgages, lenders will lower interest rates.

More on Tax rebate checks

The Internal Revenue Service recently released a stimulus payment schedule for 2007 tax returns received and processed by April 15:

Direct Deposit Payments	
Final two digits of SSN:	Stimulus payment deposit should be sent to bank account by:
00-20	May 2
21-75	May 9
76-99	May 16
Paper Check	
Final two digits of SSN:	Your check should be in the mail by:
00-09	May 16
10-18	May 23
19-25	May 30
26-38	June 6
39-51	June 13
52-63	June 20
64-75	June 27
76-87	July 4
88-99	July 11

After 2008, those who missed out on the rebate or received only a partial rebate get a second shot at qualifying with 2008 data when they file their 2008 return in 2009. This group includes those who did not receive a full \$600/\$1,200 check either because their 2007 income was either too low or too high, or they did not receive a full \$300 child credit because their income was too high or a child was born or adopted in 2008. They get another chance to claim the difference based on their 2008 tax return filed in 2009.

Additionally you may consult the IRS website (<http://www.irs.gov/newsroom/article/0,,id=177937,00.html>) for answers to all stimulus questions. Among the site's interesting features is a payment calculator (complete with the wise declaration "The answer you get is only as accurate as the data you enter!"), which allows you to estimate the size of your stimulus payment. Economic Stimulus Payment Calculator is located at <http://www.irs.gov/app/espc/>

If you have any questions about how the rebates are calculated, give our office a call and we'll explain it in detail. While the IRS does the math, we advise that you double check the size of the check when it arrives or is deposited.

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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Investments

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"QDOT" Trusts Defer Taxes for Non-Citizen Spouses

One of the most important estate tax planning tools available to married couples in the United States is the unlimited marital deduction, which allows one spouse to pass assets of any value to the other spouse without having to pay any Federal estate tax. Married couples generally used the unlimited marital deduction to defer estate taxes until the death of the surviving spouse.

But what happens if the surviving spouse is not a U.S. citizen?

Taxation of Resident Aliens

Resident aliens are generally subject to Federal estate tax in the same way U.S. citizens are. That is, U.S. estate tax laws apply to all property of U.S. citizens and U.S. residents, wherever that property is located in the world.

However, the marital deduction is not allowed if the spouse receiving property is not a U.S. citizen, even if he or she is a permanent resident of the United States. If the surviving spouse is not a U.S. citizen, transfers for the benefit of the surviving spouse will only qualify for the unlimited marital deduction if they are made to a qualified domestic trust ("QDOT").

How the QDOT Works

Essentially, a QDOT is a marital trust designed to allow the non-citizen spouse to take advantage of the estate tax marital deduction. All the income of the trust must be paid to the surviving spouse, and the surviving spouse can receive principal in the discretion of the trustee, but any distributions of principal to the surviving spouse are subject to estate tax. When the surviving spouse dies, the estate tax is paid and any remaining principal is distributed as directed in the trust document.

A QDOT can be set up by the first spouse to die in a Will or revocable trust, or it can be set up by the surviving spouse soon after the death of the first spouse to die.

Requirements for a Qualified Domestic Trust (QDOT)

The tax laws require numerous highly technical provisions to be included in a QDOT, so be sure to consult an experienced attorney if you are considering this type of trust.

For More Information

If you'd like to learn more about a QDOT trust, please write in care of:

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Legal

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OUTLINE OF LAWS REGARDING CONSTRUCTION CONTRACTORS

This is only a summary of some of the most important laws or regulations affecting the work of construction contractors. It is not intended to be "legal advice" applying to any specific case or fact situation and should not be taken that way. If you have a specific legal problem, it is appropriate to seek legal advice from an attorney informed of the specific facts of your case.

I. Licensing requirements

In order for a contractor to recover for labor and material furnished on a work of improvement, he must be licensed. Business and Professions Code, Section 7031.

Subcontractors and specialty contractors must also be licensed.

A laborer working for wages need not be licensed. Business and Professions Code, Section 7053.

Also, a materialman, who only furnishes materials or supplies without fabricating them into or consuming them in the performance of the work of the contractor, need not be licensed. Business and Professions Code, Section 7052.

If you are not licensed, it is best to write a written contract for any work which specifies that it is an "employment" agreement and that you are an "employee" of the owner. *The contract should specify an hourly wage. You should insist on payment weekly so as to protect against non-payment. This gives you some protection against not being paid for your work.*

II. How to get licensed

The normal way to work as a licensed contractor is to simply pass the contractor's license examination, conducted by the Contractor's License Board. To find out how to take the exam, you can call (800) 321-2752 or (916) 255-3900.

Another way to do business as a contractor without a license is to find a "partner" who has a license and can work with you. The partner must be either a "Responsible Managing Employee" or a "Responsible Managing Officer" of the business in order for his license to apply. Business and Professions Code § 7068(b).

There are certain strict requirements for this. If you are interested in this alternative, you should check the Business and Professions Code or consult a lawyer.

III. Requirements for licensed contractors

All licensed contractors must include their license number in (a) all construction contracts; (b) subcontracts and calls for bid; and (c) all forms of advertising. There are numerous grounds for disciplinary action against licensed contractors, including the following:

1. Abandonment of a construction project. Business and Professions Code, Section 7107.
2. Diversion or misapplication of funds. Business and Professions Code, Section 7108.
3. Willful departure from plans and specifications or accepted trade standards for good and workmanlike constructions. Business and Professions Code, Section 7109.
4. Willful or deliberate disregard and violation of building laws, or labor laws, or compensation insurance laws, etc. Business and Professions Code, Section 7.110.
5. Failure to make and keep records for inspection. Business and Professions Code, Section 7111.
6. Acting as a contractor under an inactive license. Business and Professions Code, Section 7117.5.
7. Entering into a contract with an unlicensed contractor. Business and Professions Code, Section 7118.

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Constitution Day Concert

The General Consulate of Poland in Los Angeles presents a Constitution Day Concert in honor of the Polish Constitution of May 3, 1791.

The program will include works by Karol Szymanowski, Tadeusz Baird, Ludomir Rozycki, Feliks Nowowiejski, Andrzej Panufnik, Stanislaw Moniuszko. Featured will be Juliana Gondek, soprano and the USC String Quartet

Sunday, May 4, - 4 p.m.
 SCHOENBERG HALL, UCLA

Free admittance
 A reception to follow

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