



Your Taxes and Financial Matters

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New law includes two important tax changes

Are you wondering if any part of the *Worker, Homeownership, and Business Assistance Act of 2009* will affect your 2009 federal income tax return? The answer is... maybe. Here's an overview of two tax provisions in the law, which became effective November 6, 2009.

Changes to the first-time homebuyer tax credit. This refundable credit is now available through April 30, 2010. There's an additional 60-day extension if you have a binding, written contract as of April 30 and close by June 30.

The *Act* also increases the income threshold that applies before the maximum credit of \$8,000 begins to phase out. For homes purchased or closed from November 6, 2009, to June 30, 2010, modified adjusted gross income can be as high as \$225,000 when you're married filing jointly (\$125,000 if you're single).

Another new rule: You're a "first-time homebuyer" if you used the same residence as your main home five consecutive years of the eight years prior to buying your new house. There's a catch: Qualifying under this "long-time resident" rule limits your credit to a maximum of \$6,500.

Additional restrictions:

You'll have to attach a copy of your settlement statement to your tax return.

No credit is allowed for homes with a purchase price greater than \$800,000.

Business net operating loss carryback extension. If your business will report a loss in 2009, you can elect to offset taxable income from the prior three, four, or five years.

The revised provision allows more businesses to take advantage of net operating losses by removing the gross receipts restriction in the prior law. However, when you carry a 2009 loss back to the fifth preceding year, you can use it to offset only 50% of the taxable income in that year.

You can apply the new rules to your 2009 return even if you elected to carry back a 2008 loss under previous rules. □

Do a year-end Investment review to cut taxes and increase returns

This is a good time of year to review and rebalance your investment portfolio. Although the recent market volatility has been disastrous for many investors, there may still be some year-end moves you can make that will cut your 2009 taxes and increase your after-tax returns. As you identify investments to buy and sell, keep the following tax implications in mind:

First, remember that any sales you make within your retirement accounts are free of tax. If you need to trade just to rebalance your portfolio, consider doing it in your IRA or 401(k) plan.

If you're selling investments to weed out poor performers, remember that losses can cut your tax bill. You can use capital losses to offset taxable gains, plus up to \$3,000 of other income. If you still have losses left over, you can carry them forward to use in future years.

Not all dividends on stocks and mutual funds are taxed at the same rate. "Qualified" dividends paid by most U.S. and some foreign companies enjoy lower rates of 0% or 15%, depending on your tax bracket.

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Investments

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Some employers find religion with a Rabbi Trust

An employer has a number of possible retirement plan options for highly paid employees. With the significant drawdown of many employee retirement plan accounts given the recent stock market decline, now more than ever employers are searching for retirement plan solutions for highly paid employees.

A unique approach for an employer seeking ways to benefit only selected key employees may be the adoption of a *non-qualified* deferred compensation plan. Under a non-qualified deferred compensation plan, an employer promises to pay compensation to employees in the future. This plan differs from *qualified* plans because the employer does not get a tax deduction until amounts are paid to the employee. The employee is subject to income tax at the time of distribution (or when first made available to the employee, if sooner). One such vehicle that can hold deferred compensation assets is the "Rabbi Trust."

Why use Rabbi Trusts?

They can:

- offset IRS limits on qualified plans (as an excess benefit plan, 401(k), etc.)
- provide a voluntary deferred compensation plan
- supplement an executive's retirement plan

What is a Rabbi Trust?

A Rabbi Trust is a security device for a deferred compensation plan for which an employer sets aside and contributes amounts to an irrevocable trust on behalf of one or more employees. There is also a deferred compensation agreement between the employer and employee establishing the amount and conditions of deferral. The terms of the trust agreement outline the responsibilities of the parties, such as investment decisions, payout procedures, duties of the trustee and other applicable provisions. The trust represents a *binding agreement* between the employer and the trustee. The IRS has approved an arrangement under which key employees who contribute the maximum amount to a 401(k) plan can make excess deductible contributions to an employer's nonqualified supplemental savings plan funded by a Rabbi Trust.

This trust is called a Rabbi Trust because the first such arrangement to which the IRS gave an official "blessing" was set up for a Rabbi by his congregation. However, the trust can be established by any type of organization - religious or secular.

Safety

A Rabbi Trust is designed to secure the employer's agreement to pay the deferred compensation in the event of management changes, compensation adjustments and other corporate decisions. It assures that the assets will eventually be distributed to the employee. However, should the employer become insolvent, the trust's assets would become subject to the claims of the employer's general creditors.

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**Distribution of the
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Music News

By: **Marek Żebrowski and Krysta Close**
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Kazimierz Pułaski... American Citizen!

An article written on November 6 by Associated Press Writer William C. Mann states... Finally, Gen. Casimir Pułaski became an American citizen, 230 years after the Polish nobleman died fighting for the as yet-unborn United States. President Barack Obama signed a joint resolution of the Senate and the House that made Pułaski an honorary citizen.

Pułaski's contribution to the American colonies' effort to leave the British Empire began with a flourish. He wrote a letter to Gen. George Washington, the Revolution's leader, with the declaration: "I came here, where freedom is being defended, to serve, to live or die for it."

Democratic Rep. Dennis Kucinich, a Polish-American, had been pushing for the honorary citizenship since 2005. He lives in Cleveland, which has many other citizens of Polish extraction.

"Pułaski made the ultimate sacrifice for this country, and he deserves nothing but the highest honor and recognition for his service," Kucinich said.

Washington had heard of the young Pole from Benjamin Franklin, an urbane traveler who had been Washington's first ambassador to France. Franklin told Washington of Pułaski's exploits that had made him "renowned throughout Europe for the courage and bravery he displayed in defense of his country's freedom."

The revolutionaries' top general let the young nobleman hire onto the brash fight against the European superpower, and Pułaski made a name for himself as a skilled horseman, eventually to be known as the "Father of the American cavalry."

He died before the British were driven away. In October 1779, he led a cavalry assault to save the important Southern port of Savannah, Ga., was wounded and taken aboard the American ship USS Wasp. He died at sea two days later.

Americans have honored Pułaski throughout the last two centuries. Counties and streets are named for him.

In 1929 Congress declared Oct. 11 to be Pułaski Day in the United States, a largely forgotten holiday in much of the country. The Continental Congress suggested that a monument be erected in honor of Pułaski, and in 1825 it finally was erected in Savannah. □

THE WHITE HOUSE

Office of the Press Secretary

November 6, 2009

ON FRIDAY, NOVEMBER 6, 2009, THE PRESIDENT SIGNED INTO LAW: H.J.Res. 26, which proclaims Casimir Pułaski to be an honorary citizen of the United States posthumously; H.R. 1209, the "Medal of Honor Commemorative Coin Act of 2009," which requires the Department of the Treasury to mint and issue coins in recognition and celebration of the establishment of the Medal of Honor in 1861. □

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E2 Visa: A Useful Visa for Investors from Poland

Poland and the U.S. have a treaty which allows for the free exchange of investment and investors. This is a visa that is often overlooked by Poles. Many Polish citizens and their family members here go through great effort to obtain tourist (B2) and business (B2) visas, which give them much shorter stays in the US and are much more difficult to obtain, when they would clearly qualify for an E2 visa.

When I was in Poland in July, I met with a US consular officer who told me he had seen only a few E visa applications in his Consulate all last year. Nonetheless he expressed to me the view that someone, for example, working as a software consultant could hypothetically obtain the E2 visa with minimal investment here.

How is it that Poles are seemingly unaware of this visa possibility? What must be shown to obtain this visa? Let me explain the requirements.

The E-2 visa applicant must show that he or she has invested or is in the process of investing a substantial amount of capital. The exact meaning of "substantial amount" is not defined but it is generally thought that amounts less than \$50,000 are too small to qualify.

However, the "substantiality" of the investment will depend upon how much is necessary to start a business in the particular field. So, for example, the cost of starting a franchise window dealership is likely to be less than the cost of opening an airline. The Consular officer in Poland told me plainly that with some fields like IT consulting, an investment of far less than \$50,000 might be enough. The amount necessary to invest in order to qualify for the visa will be less if the business requires less to get started.

Another requirement is that the money be already invested or in the process. The applicant must place at risk the investment, which means that he or she is subject to a loss of the capital if the investment fails. However, we have been able to use escrow accounts for this purpose. In other words, the money is sent into an escrow account and invested only if the visa is approved. CIS regulations state that this is acceptable.

The applicant can be either the owner of the enterprise or one of its workers. The owner and national of the treaty country must show that he controls the enterprise by showing ownership of at least 50% of the enterprise. The owner must also have operational control of the entity. If the applicant is not the investor or the trader, he must be employed in an executive or supervisory capacity, or possess skills that are highly specialized and essential to the operations of the commercial enterprise. A college degree is helpful but not a requirement. Generally managers or highly professional positions within companies qualify for an E visa.

If the applicant is outside the U.S., he or she can apply directly at the Consulate. An application with the Immigration Service first is not necessary, as it is with some other visas. If the applicant is in the U.S., he or she can apply for a change of status without leaving the U.S.

Presently, in Central and Eastern Europe, besides Poland, nationals from the countries of Estonia, Latvia, Croatia, Slovenia, Macedonia, Yugoslavia, the Czech Republic, Slovakia, the Ukraine, Kazakhstan, Kyrgystan, Lithuania, Moldova, Romania, Georgia, Armenia, Azerbaijan qualify for the E2 visa. □