

Your Taxes and Financial Matters

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What to do if you accidentally left information off your return

The rush is over and your personal income tax return is done for another year - or so you thought, right up until the moment you discover information you forgot to include. Now what?

The action you take depends on the type of information you forgot. For instance, say you reported all your income on the return you mailed to the IRS. But now you realize you neglected to attach a copy of your wage statement.

In this case, doing nothing is the best option. You will eventually get a notice from the IRS requesting the missing form.

Other mistakes, such as omitting income or deductions, or deciding you're eligible for credits like the federal telephone excise tax, may require amending your return.

To do this, you will need to complete Form 1040X. Explain any changes and mail the form to the IRS after your original return has been processed. At present, e-filing is not available for Form 1040X, so you will have to use a paper return, even if you submitted the original electronically.

As a general rule, Form 1040X has no set due date. But if the information you left off increases the amount of tax you owe, filing promptly can help reduce interest and penalties.

When the correction results in less tax, you will need to file before the time for claiming your refund expires (usually three years from the due date of the original return).

Don't fall for these tax scams

In today's connected world, tax scammers can reach you via e-mail, on the Internet, in person, and over the telephone. Here are three common schemes to watch out for.

▲**The pitch:** Congratulations! You just received an e-mail from the IRS stating you are due a refund. All you have to do is click on a link or open an attachment to verify your social security and bank account numbers.

The truth: This is a scam known as phishing. Some con artist is trying to steal your identity. The IRS will not contact you about your tax return this way.

Scam defense: Never respond to unsolicited e-mails requesting tax or financial data.

▲**The pitch:** You are surfing the Internet and come across a Web site offering free tax software or e-filing through the IRS Free File program.

The truth: This is a bogus offer to lure you into revealing personal information. In some cases, the scammers change the bank account number you provide and divert your refund. The Free File program is available only through the IRS Web site (www.irs.gov).

Scam defense: Always know who you are doing business with.

▲**The pitch:** You are invited to a seminar that promises to reveal a strategy designed to eliminate all of your tax liability.

The truth: Promoters of frivolous arguments make money from the fee you pay to attend the seminar or from the sale of literature. While legitimate tax planning can reduce your taxes, no one can guarantee a zero tax bill.

Scam defense: Ask for tax advice from a professional you trust.

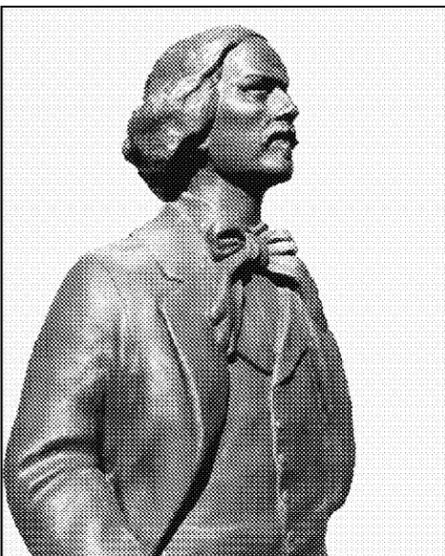
If you have additional questions about the ideas mentioned here and/or the many other strategies available to you, they may be directed to me at 800-CPA-KROL (272-5765), or you may write to:

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Music News

By: **Marek Żebrowski and Krysta Close**

Paderewski returns to Southern California!



The great Polish musician, patriot and statesman Ignacy Jan Paderewski will be commemorated at the University of Southern California on October 4, 2007. On that day, a large bronze monument of Paderewski will be permanently placed amongst the buildings of the Thornton School of Music at USC. This initiative will recognize the achievements of this extraordinary musician and his links to the University that, on February 22, 1923, conferred upon Paderewski an honorary doctorate of laws.

The fund-drive for this worthy project has been initiated by the Polish Music Center at USC, the Consulate-General of the Polish Republic in Los Angeles, the Polish-American Congress, and the Polish-American Historical Association. Poland's First Lady, Madame Maria Kaczyńska is the chairwoman of the project's Honorary Committee, composed of several prominent civic and political leaders from around the world.

As a pianist, Paderewski was one of the greatest virtuosos in the history of music. But his spectacular achievements were not limited only to the area of piano performance. Paderewski was one of Poland's greatest patriots - a man who devoted a considerable amount of his life and resources to Polish causes. Together with the writer Henryk Sienkiewicz, Paderewski set up the Polish Victims' Relief Fund in 1915 and for three years toured the United States, speaking on Poland's behalf and donating proceeds from his concerts to numerous Polish causes. Paderewski's tireless advocacy for Poland secured President Wilson's support for the establishment of an independent Poland. For three years after the war - between 1918 and 1921 - Paderewski completely abandoned his very lucrative performing career in order to serve his country. He was the first Premier of independent Poland and the Minister of Foreign Affairs, unifying different factions and political parties within the newly-reborn Polish state. Paderewski's extensive personal contacts with the crowned heads of Europe, heads of state, and other influential individuals all over the world made him a perfect representative for Poland during the Versailles Conference and a life-long ambassador of his native land.

When World War II broke out Paderewski was seventy nine years old and living in Switzerland. In spite of his age, he once again extended his helping hand to Poland, serving the Polish government in-exile. After the Nazi invasion of France, he traveled to the United States, making speeches, meeting with politicians and civic leaders, and pleading once again for help for his beloved country. His last speech, on June 22, 1941, was given in Oak Ridge, New Jersey. Paderewski's impassioned oratory reached the hearts of his audience, a several thousand strong crowd of Polish-Americans and Veterans of World War I. Speaking of the international tyranny that once again was trying to deny the Polish nation the right to exist, Paderewski said: "This is no ordinary war... It is a question

Music News - Paderewski to page 18



Investments

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"2007 to Be a Big Year for Mortgage Resets. Are You Ready?"

If you have an adjustable-rate mortgage (ARM), there's a chance it will be heading toward a rate "reset" in the coming year. A reset is defined as the change in the interest rate of your mortgage loan after the initial fixed-rate period to the adjustable rate you will pay for the remainder of the life of the loan. And this year, as rates have increased, such a reset could cost you more money.

This rate reset carries significant implications to homeowners, as the indices used to determine adjustable rates have been steadily climbing during the past five years. For instance, the Prime Rate has more than doubled, from a long-time low of 4.0% in July 2003 to its current 8.25% (as of 2/12/07).¹ This means that if you acquired a mortgage with an initial interest rate of 6% that resets in the coming year to "Prime plus 1," your rate jumps over 50% in size, to 9.25%, variable.

According to the Mortgage Bankers Association, well over \$1 trillion in ARMs are scheduled to reset during 2007.² Some borrowers may be prepared to take the rate increase in stride; others may not wish to absorb the higher monthly payment and larger total finance cost that the increase will entail.

Interestingly, despite fixed rates being potentially higher now than when you took out your existing mortgage, you can end up in a financially superior position than you would have by simply letting your loan reset to the higher variable rate. This is because, as economists are pointing out, we are currently in a rare rate environment known as an "inverted yield curve."³ More simply put, this phenomenon means that certain economic factors have come together to bring long-term interest rates more in line with short-term rates. As defined by SmartMoney.com, "At first glance an inverted yield curve seems like a paradox." Why would lenders offer a lower rate long-term while short-term rates remain relatively static?⁴

The answer is that lenders will settle for lower rates now "if they think rates — and the economy — are going even lower in the future. They're betting that this is their last chance to lock in rates before the bottom falls out."⁴ The net result? Though short-term rates might be currently on an upswing, long-term rates have actually been on a decline. This may be the time for you to refinance into a longer-term fixed-rate loan.

Additionally, refinancing a resetting mortgage may be a good opportunity to consolidate any higher-interest consumer debt you may have. When you look at your complete financial picture, it's not just asset management that maximizes your money. Managing your liabilities diligently can also take you a long way toward reaching your financial goals.

If your mortgage is one of the millions set to reset this year, now may be a good time to relook at your mortgage in light of your entire financial picture. Please call me to discuss.

1. The Wall Street Journal, http://www.wsjprimerate.us/wall_street_journal_prime_rate_history.htm.

Investments to page 18

Distribution of the News of Polonia in the San Diego area is through the generosity of Joanna Brost Financial Advisor



Legal

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Obtaining permanent residence through marriage

Many persons inquire as to the method of obtaining permanent residence through marriage to a US citizen. The process is still one of the easiest of all the methods of obtaining status here; however there are careful procedures within the Immigration system to make sure that applications for permanent residence are based upon marriages which are valid, legitimate and genuine.

Under present law, a person who came to this country on a valid visa can apply for permanent residency if they marry a US citizen. If the person came to the US on a fiancée visa, they must marry within 90 days to the person who sponsored their visa in order to qualify for adjustment of status to permanent residence in this country. All other persons can apply for adjustment of status to permanent resident in this country based upon marriage to a U.S. citizen, as long as they entered the United States on a valid visa and have not committed a crime or some other act which makes them ineligible.

An application for permanent residence based upon marriage to a U.S. citizen is made by the submission of BCIS Form I-485 "Application for Adjustment of Status" to the Bureau of Citizenship and Immigration Services of the Department of Homeland Security. There are many necessary forms and documents necessary to submit with the I-485, including photos, birth and marriage records and other immigration forms. It generally takes approximately six months to one year to finish the adjustment of status process. There is an interview at the end of the application process, which both spouses must attend.

In order to prove that the marriage is valid at the interview, it is necessary to provide certain documentation. This includes financial records such as leases with both spouses names, joint bank account statements, joint credit cards, utility bills and other evidence that the couple is living together. It is also helpful to bring photographs of the couple together, including photos of the wedding. Other personal documents such as correspondence before marriage or even personal mementoes can be helpful to show the immigration officer.

The interviews generally last approximately one hour or less and are intended to determine whether the marriage is legitimate or not. Applicants are usually asked questions about the manner in which they met, their hobbies and personal lifestyle, and their finances. If there is any significant doubt about whether the marriage is real, the applicants are required to come for a second, more intensive interview. In these second interviews, the spouses are separated and questioned at greater length by trained officers. These second interviews sometimes last several hours.

If the officer is satisfied the marriage is bona fide, and all other requirements for permanent residence are met, the adjustment of status application is approved. If the marriage is less than two years old, the immigrant is given *conditional* permanent residence. This status gives the immigrant all the same rights as a permanent resident except that it expires after 24 months.

Two years after the granting of conditional permanent residence, a new application must be submitted to the immigration service, documenting that the marriage still exists. Generally, there is no interview with this application, however the Service does select a certain portion of applicants to be called in for another interview.

As stated above, because all marriages must be genuine in order to qualify the alien

Legal to page 15