



Your Taxes and Financial Matters

By: **Richard P. Król**

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What Can Education Do for You?

Education is a life-long adventure. It doesn't matter if you're a student, a parent, a grandparent, or someone who has no children; we are all impacted in one way or another by education. It is the tax implications and opportunities of education that we want to address here. We hope you will find something of interest no matter what stage of life you are in.

Taxation

Employer-provided education benefits can cause your income to increase unless the employer pays for job-related education or has a nondiscriminatory educational benefit program that provides benefits of up to \$5,250. This benefit program may be used for under graduate as well as graduate level education. Scholarships are generally not taxable to the extent they are used to pay for tuition and books. Scholarship monies received to pay for living expenses including food and shelter are taxable. If your child receives this money, it is taxable to the child, not the parent. Forms are rarely sent disclosing the information; it is some thing you must monitor on your own. If you perform services in exchange for the payment of educational expenses such as a work study program, you will receive a W-2. If the work is performed for the educational institution, it generally will not be subject to Social Security or Medicare tax.

Deductions

If you are paying tuition for yourself, your spouse, or your dependent, you may be able to claim a deduction for the tuition and related fees. This is a deduction which will reduce your income dollar for dollar up to \$4,000. The \$4,000 deduction is available to taxpayers with income before itemized deductions of \$160,000 (\$80,000 for single) or less. A smaller deduction of \$2,000 is available for income levels of \$130,000 (\$65,000 for single) or less. Time is running out because this benefit will end on December 31, 2007 (under current law). If you attend classes related to your occupation as an employee and pay for them out of your own pocket, the deduction is work related and is deductible as an employee business expense on Form 2106 (Employee Business Expenses). The deduction includes tuition; fees; books; lodging, if you are away from home overnight; meals during the overnight stays; and travel expenses such as mileage, airline tickets, or other means of travel. There are limitations that apply and not everyone will benefit by this deduction.

Credits

One of the best tax law changes for individuals and families alike was the creation of various education credits. Two different credits are available, the Hope Credit and the Lifetime Learning Credit. The Hope Credit is available to the student who is a freshman or sophomore as of the first school day of the year. The credit is based on the tuition paid. Generally, the cost of books and room and board do not affect the credit. The credit is equal to 100% of the first \$1,100 of tuition plus 50% of the next \$1,100 of tuition for a maximum credit of \$1,650 per year. It generally results in a larger benefit than the Lifetime Learning Credit but has some limitations. The credit may generally only be taken in two tax years per qualifying student. The student must be at least a half-time student. He or she must be pursuing a degree or certified program. It could be a four-year traditional degree or shorter certification program such as licensed nursing, cosmetology; or even truck driving. The student must not have been convicted of a drug-related felony. If the student is a dependent child, it is the parent claiming the exemption who will receive the benefit of the credit regardless of who paid for the tuition. This is a particularly

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Music News

By: **Marek Żebrowski and Krysta Close**

Paderewski back in Los Angeles!

After an absence of eighty-four years, Paderewski's towering figure once again graces the campus of the University of Southern California. On 22 February 1923, Paderewski was recognized at a special ceremony with the honorary doctorate by this prestigious university. At 5 p.m. on 4 October 2007, the official unveiling of the Paderewski monument took place at USC, in front of a crowd of 200 patrons of the monument project, university officials, and other guests. The Ambassador to the United States, His Excellency Janusz Reiter, and the Consul General of Los Angeles, Hon. Paulina Kapuścińska, represented Poland's government on this distinguished occasion. The First Lady of Poland, Maria Kaczyńska, the project's honorary patron, was unable to attend the unveiling due to a commitment to the Paralympic athletes competing in Shanghai, China. USC officials, including the Dean of Music, Robert A. Cutietta, and the University Provost, C.L. Max Nikias, also attended the ceremony and gave touching tributes to Paderewski's legacy at the University and in the world. Musical accompaniment for this festive occasion was provided by the Midnight Winds, including a performance of Paderewski's most famous composition, the Menuet Op. 14.

At 6 p.m., immediately after the ceremony, the annual Paderewski Lecture-Recital was presented at the Alfred Newman Recital Hall on the USC campus. This year's program celebrated the musical opus of Krzysztof Meyer, one of the most prominent Polish contemporary composers. Although the composer was unable to join us due to a last-minute denial of his US Visa, his presence was felt through the music, so touchingly and skillfully performed by some of Southern California's greatest musicians. On the program was Paderewski's Nocturne Op. 16, No. 4 (Wojciech Kocyan, piano), Meyer's Sonata per violoncello e pianoforte (Laszlo Mezö-Arruda, cello and Mary Au, piano), Meyer's Canzona for Cello and Piano (Lars Hoefs, cello and Jan Bratoz, piano), and Meyer's String Quartet No. 12, Op. 103 (Armen Derkevorkian & Ely Karr, violins, John Stultz, viola, and Sheng Zhang, cello).

The unveiling of the Paderewski monument at USC marks a very important milestone for the Polish community in Southern California. Paderewski is the first Polish national to be recognized with a monument in this part of the world. His links to the West Coast are considerable, as he owned huge tracts of land in the Paso Robles area, where he planted zinfandel grapes and almond tree orchards. More importantly, Paderewski's patriotism, incredible generosity, years of tireless efforts and considerable self sacrifice, secured Poland's freedom after World War I. It is very gratifying that in recognition of Paderewski's role in Poland's modern history many individuals and institutions have come together to support the initiative of placing Paderewski's statue at the USC Thornton School of Music. The Polish Music Center, along with our fundraising partners-the Consulate General of the Republic of Poland in Los Angeles, Polish American Congress, Polish American Historical Association, and Polish National Alliance-gratefully acknowledge the generosity of the Polish American community in this endeavor.

Paderewski Monument Unveiling

C. L. Max Nikias

Provost & Sr. VP for Academic Affairs
October 4, 2007

I am delighted to join all of you here today. It is as much of a privilege for USC to honor Mr. Paderewski today as it was more than eight decades ago. Indeed, it is not every day that we unveil a monument that would be just as welcome at our International Relations School as at our Thornton Music School. This is testimony to the unusual legacy of Paderewski.

Students of history from my Greek

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Investments

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Shut Out From Roth IRAs No Longer

Thanks to some recent tax law changes, high-net-worth individuals who are exploring additional ways to build retirement savings may want to take a closer look at traditional IRAs. In May 2006, the Tax Increase Prevention and Reconciliation Act (TIPRA) revised some of the guidelines covering IRAs. As a result, high-income investors whose earnings level would previously have restricted them to a traditional IRA can now convert those to Roth IRAs starting in 2010 and reap the long-term tax advantages.

Because they allow qualified investors to withdraw all contributions and those earnings that meet certain requirements without federal income tax, Roth savings vehicles now appeal to a growing list of investors. Previously, Congress limited Roth conversions to those whose modified adjusted gross income was under \$100,000. Under the new rules, however, the conversions will be available to investors at any income level, starting in 2010.

So if you've maxed out your 401(k) contributions and don't qualify to make Roth IRA contributions because of your income level, you still can make nondeductible contributions to a traditional IRA over the next several years and then convert it to a Roth IRA in 2010.

Then, when needed during retirement, investors can make withdrawals from the Roth IRA tax-free. Taxes will not be owed on the original nondeductible contributions because they've already been paid, although the previous earnings on those contributions will be taxable. Those who convert in 2010 only have the extra incentive of being able to spread the tax liability over the following two years. Thereafter, all future earnings in the Roth IRA will be available for tax-free distributions if certain requirements discussed below are met.

With a traditional IRA, account holders are taxed on both their original contributions and their investment earnings when they start withdrawing money. Essentially, the tax responsibility has been deferred, not eliminated. The tax responsibility for a Roth IRA comes at the front end with nondeductible contributions. One of the advantages to account holders, however, is that they do not have to pay any taxes — even on investment earnings — at the time of withdrawal. And that means that Roth IRAs essentially can make investment income tax-free income.

The opportunity to translate nondeductible contributions into additional savings that could result in a tax-free income stream for retirement is especially attractive for high-net-worth individuals who can afford to pay the conversion taxes without using funds from the account itself. By doing so, an investor can avoid paying taxes on the distribution as well as an early distribution penalty of 10 percent. This assumes that a Roth IRA has been open for at least five years and the investor is at least age 59½. Moreover, because high-net-worth families often have retirement income from other sources, they may not need to tap into their converted Roth IRA for many years, if at all. (Unlike traditional IRAs, there are no mandatory withdrawal rules for Roth IRAs

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Legal

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How to Improve Your Chances of Getting A Visa From A U.S. Consulate In Poland

As most of us in Polonia know, the U.S. government chose not to extend the visa waiver program to Poland this year, despite the efforts of Polish leaders to obtain this benefit for Polish citizens.

Now that Poles will not qualify for the visa waiver program for the immediate future, it is worth remembering some simple steps to make it more likely that your family members or friends would get a visa from a U.S. Consulate in Poland. Despite the all-too-frequent appearance that the process is arbitrary and capricious, there are a few steps that applicants can take to increase their chances of walking out of the consulate with a visa instead of a denial.

Here are a few simple tips to help with the process, some of which I heard personally from the Director of the Non-immigrant visa branch at the Consulate in Warsaw when I met with her last year.

Applications should be *supported by documentation* that supports the purpose for the visa. If your relative is coming for a wedding, submit a wedding invitation or at least a statement from the bride or groom. If it's medical care they are coming to receive, obtain a doctor's letter stating the special need for medical care in America. If your relative intends to travel throughout the U.S. and visit certain tourist spots, come prepared with itineraries, reservations, hotel bookings in hand. The documentation should be authentic and substantial.

The applicant must show the consulate proof of their own money or other *financial resources* to support themselves or a relative who agrees to support them while here. This should be documented by bank statements or receipts or proof of salary. If it's a relative in the U.S. who is offering support, bring his tax returns or bank statements, or both. It's helpful to have him fill out and sign before a notary the Affidavit of Support form (I-134 form). [See Immigration Forms section from my website to download the form.] Be prepared to explain how you will support yourself in the U.S. for the entire length of your visa.

It is also important to show "ties to the home country", in other words, property, employment or immediate family left behind that would cause you to return. Bring proof that your relative owns a house or flat in Poland. Bring a letter from your employment or other proof that your relative is employed. If your relative has family such as a spouse or children that are not coming to the U.S., bring proof of that such as marriage and birth certificates.

If your relative has traveled to the U.S. or other Western countries before, it's wise to point that out; it shows a propensity to return home after a visit abroad. Of course, this is only helpful if one returned in accordance with the time limits in their visa.

I find it helpful for the applicant to write a cover letter -- laying out exactly why he or she wants the visa, citing the financial and other ties to the home country, setting forth the basis for his financial support in the U.S. and referencing the documents attached. This gives the consul a summary of the

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