



Your Taxes and Financial Matters

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Tax planning Annual 2008

Check the numbers for some 2008 tax savings

Do you like numbers? Do you like them better when they involve tax savings? Here are 12 numbers and 12 tax-saving strategies - to consider as the clock starts to wind down on 2008.

19 For 2008, the kiddie tax applies to children under age - 19 as well as full-time students under age 24. What's the impact? When your child has investment income, such as dividends and interest, of more than \$1,800 for the year, the income may be taxed at your highest tax rate.

>> **ACTION:** Consider hiring your home for the-holiday children in your business during the end-of-semester college break. Wages are earned income and are taxed at your child's rate.

30 Wash sale rules can limit your current-year losses on investment sales. These rules kick in when you sell an investment at a loss and buy a substantially identical investment within 30 days before or after the sale date.

>> **ACTION:** Be careful to replace loss-generating securities with others that are similar, but not identical.

0% The capital gains tax rate on qualified dividends and gains from sales of stocks, bonds, and other securities you've held more than a year is zero if your 2008 taxable income is less than \$65,101 (married filing jointly) or \$32,551 (single).

>> **ACTION:** Assess your portfolio with an eye toward realizing gains on investments in which you have a low basis.

7.5% To take an itemized deduction for medical care, your total expenses have to equal more than 7.5% of your adjusted gross income. Not quite there? You may be able to bunch your costs. Bunching is a classic tax planning strategy that involves accelerating expenses into the current year or deferring them to the next year.

>> **ACTION:** Calculate your expenses to date. Include amounts you paid for family members who failed to qualify as your dependents only because they did not meet the gross income or joint return test. If you're close to the 7.5% floor, look for opportunities to increase your deduction. Example: Schedule deductible elective procedures before year-end.

50% Bonus depreciation is back. - For 2008 you can immediately deduct up to half of the cost of qualifying new business assets. In addition, the bonus rule increases the maximum amount of first-year depreciation on luxury passenger cars and light trucks that you use in your business by as much as \$8,000.

>> **ACTION:** Consider replacing worn-out business vehicles and equipment before year-end.

100% Subject to certain restrictions, you can claim self - employed health insurance premiums "above the line" meaning you can subtract them from your gross income. However, at the beginning of 2008, the IRS issued a notice spelling out the procedures you'll need to follow to keep this deduction from being disallowed if your business is set up as an S corporation.

>> **ACTION:** Have your business write an additional compensation check before year-end to reimburse you for premiums you paid personally.

58.5¢ Use this standard mileage rate to calculate the amount you can deduct for each business mile you or your mobile employees drive from July 1, 2008, through yearend. (For business miles

Taxes to page 15

Music News

By: **Marek Żebrowski and Krysta Close**

Paderewski Festival Gala

The historic Ballroom of the Paso Robles Inn resonated with music on Saturday, November 15, the closing day of this year's Paderewski Festival. Expanded to a three-day offering of concerts, lectures, film screenings, it began with a November 13 performance by the Midnight Winds at the North County Christian Church. The varied program featured works by Bacewicz, Barber, Chopin, Kilar, Paderewski and Ravel was well-received by the opening night audience.

Rudolfas Budginas presented an entertaining piano performance at the Cass Winery on Friday, November 14, infusing the well-known works of Bach, Schubert, Chopin and Liszt with his own, "classics-lite" take. Winery owner, Steve Cass, dressed in a smartly-tailored Victorian white suit (reminiscent of Paderewski's outfits worn during his visits to Paso), gave an engaging and historically accurate account of the life of Paso Robles' most famous resident.

The Festival's last day, Saturday, began with a free screening of the 1937 feature film, *Moonlight Sonata*, in which Paderewski played one of the main speaking roles and performed a 20-minute recital of works by Beethoven, Liszt, Chopin, and his own *Menuet*. A large crowd then visited Paderewski Memorabilia Exhibit at the City Hall, brought to Paso by a Paderewski expert and collector, Christine Smith.

At 4 p.m. the capacity crowd filled the Paso Robles Inn Ballroom to hear the winners of the 2008 Paderewski Youth Piano Competition. The concert began with a 10-year old Andrew Toh, who received an Honorable Mention. His assured performance of works by Scarlatti and Burgmueller elicited a warm applause from the audience. The Third Prize Winner, 14-year old Lindsay Reed, presented a lyrical interpretation of a short piano piece by Grieg and a stylish reading of Haydn's *Sonatina*. Evan Lin, the 11 year-old Second Prize Winner (and also a laureate of last year's Competition), gave a very musical and confident performance of Mozart's well-known *Sonatina* and the *Midnight Rhapsody* by Melody Bober. Rory McClish, the First Prize Winner, gave a spirited performance of Bach's *Invention* and followed it with equally brilliant presentation of Beethoven's *Sonatina*. The concert ended with Frank Mecham, Mayor of Paso Robles, and Rachel Hamilton, the Youth Piano Competition Coordinator, handing out medals and prizes to this year's winners.

The Festival highlight was a Gala Concert performed by Nikita Mndoyants, the 19-year old First Prize Winner of the 2007 Paderewski International Piano Competition in Bydgoszcz, Poland. This concert was the pianist's West Coast premiere. He presented a demanding and beautifully executed program of music by Paderewski, Chopin, Beethoven, Babadjanian, and Liszt, as well as his set of variations on the Paganini's celebrated theme.

Nikita's beautiful touch and flawless technique were already evident in a group of Paderewski's piano miniatures and three Mazurkas by Chopin that opened the program. Beethoven's last Sonata, a towering challenge musically and technically, followed and the audience was treated to a rare and inspired interpretation. Nikita's exceptional insight into the music and his exceptional understanding of Beethoven's complex form, coupled with his poetic insight was, in many ways, a highlight of the evening. After the intermission, the audience heard Chopin's *Polonaise-Fantaisie*, which, under Nikita's fingers, became an

Music News to page 15



Investments

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Why Rebalance Your Portfolio?

Simply stated, staying the course doesn't mean driving with blinders. Investors should monitor their portfolios regularly to determine if they support and respond to their financial goals.

For years, investors have heard the mantra of investing for the long term. That is, to create a portfolio based on your goals and stick with it despite the rumblings of a fickle market or the allure of popular trends. In theory, this is a suitable strategy for many investors, but staying the course wisely should also acknowledge the need for the occasional mandatory detour, taking on additional passengers, having fender benders and making complete about-faces. The better prepared a portfolio is to respond to these unforeseeable life events, the more likely it will be able to help you reach your desired financial destination.

Annual rebalancing

Annual rebalancing is key to the long-term health of your portfolio. Rebalancing involves shifting assets from one type of investment to another to bring a portfolio in line with an asset mix created for specific goals. If this action is done on a regular or automatic basis, you can help ensure that your portfolio stays on track.

Many mutual fund companies offer the option of automatic rebalancing within various investment programs. This service can help investors avoid micromanaging their portfolios and it furthers the lines of communication between an investor and his or her financial advisor. In addition, this enforces use of the commonly embraced discipline of selling high and buying low.

Seven Rules of Effective Portfolio Maintenance

- **Construct an initial portfolio with a goal-sensitive allocation** of stocks, bonds and cash. Keep informed about the subsets and varieties of these categories.
- **Be aware of your short- and long-term goals** when designing your portfolio.
- **Generally, make more comprehensive rebalancing an annual event.** Many experts agree that investors who rebalance at this interval or slightly longer reap many of the same benefits as those who do so more often.
- **Remember that rebalancing comes from paring down** or eliminating specific investments in a portfolio. In many cases there may be tax consequences, like realized capital gains. Try not to burden yourself with tax liabilities you may not be prepared to handle. Yet at the same time, you must weigh the benefits of overall return over some tax savings.
- **Don't rely on natural progressions in the market** to rebalance a portfolio. But keep in mind that this practice is not applicable to total equity portfolios, because stocks typically appreciate over time.
- **Consider contributing to your portfolios via a systematic or dollar-cost averaging strategy.** Systematic investing, the process of making consistent contributions on a regular basis, can help bring you closer to your financial goals.
- **Stand by your plan.** Your portfolio was created to respond to a number of scenarios and goals. Don't allow yourself to be easily swayed by the latest trends, **but do contact your Financial Advisor if you feel the need to make a change.**

If you would like to discuss your investments, please write to me in care of

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Legal

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Extending a J-1 VISA

Q: Is there any way to get my J-1 visa extended? I still have six months left out of the 18 months but I would like to stay longer if possible.

A: The 18 month J-1 visas cannot be extended, however there are a couple of options which you should seriously consider as soon as possible.

If you hold a Bachelor's degree or its equivalent, you may be eligible to change your status from a J-1 to an H-1B, provided there are H-1B numbers available at the time you apply. H-1Bs are limited to 65,000 new ones each year and this year's annual numbers were used up on the first day of the application period, April 1, 2008.

However, many people who have a Bachelor's degree are unable to get an H-1B as the type of work must require the skills of a professional. For example, someone with a Bachelor's degree in Business Administration will generally not be approved for the position of office manager since a person could become office manager without having obtained a degree.

Whether you have a Bachelor's degree or not, you and your employer should investigate getting you on the road to a green card through the new PERM process. This new labor certification system should allow many people on temporary non-immigrant visas including, but not limited to, the J-1, H-1B, A, F, O and P visas, to get their green cards within a relatively short period of time. Even those who have very little or no time left on their J-1s may apply directly for a green card under PERM as J-1 visa holders are given "duration of status" to stay in the U.S. and without an actual date to have to leave by, they do not accrue unlawful presence under the current memorandum.

However, if more than 180 days passes after the J-1 work authorization ends the penalty is the person must apply for the green card outside the U.S. at the Embassy.

In order to apply under PERM, the employer must show that there is a shortage of qualified American workers in your occupation and that the employer has tried to find a worker to replace you and has been unsuccessful in their attempts. For nonprofessional positions like administrative assistants, assistant bar managers, carpenters, and most other construction positions only two Sunday newspaper advertisements are required along with a 30 day CalJobs posting, a ten day posting (including salary) at the job site, and a prevailing wage determination from the California employment office. The employer is required to keep for five years all the supporting paperwork including the actual newspaper pages, Cal Jobs printouts, postings, the prevailing wage report, any resumes received, and the employer's statement including a summary of how many people applied for the position(s), how many were hired, and why the others were rejected (i.e., no experience, no degree, no permanent right to work in the U.S.).

The application is submitted either electronically or by mail to the Department of Labor (DOL). Within 60 days it will either be approved, denied, or selected for proof of recruitment documentation.

Even though it is expensive, most people hire an attorney to help them get a green card through work as the process is so complicated and the procedures are rarely publicized. Immigration attorneys know how to apply the constantly

Legal News - J1 Visa to page 14