



## Your Taxes and Financial Matters

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### What to expect on your 2009 return

So what's new? If the question is about your 2009 federal income tax return, the IRS has been ready with the answer since June, when a draft copy of this year's Form 1040 was released.

**Here are six items you can expect to see.**

1. A reminder that the first \$2,400 of unemployment benefits received in 2009 are tax-free.
2. An adjustment to income for the educator deduction. Up to \$250 of qualified out-of-pocket costs for classroom supplies can be deducted, even when you don't itemize.
- 3 An increase of the \$3,650 exemption for you and your dependents if you provided housing for victims of the 2008 Midwestern disasters. You can claim an additional \$500 for each person you helped (up to a \$2,000 maximum).
4. A new deduction for real estate taxes you paid in 2009. You can add up to \$1,000 (\$500 for singles) to the standard deduction of \$11,400 for joint returns (\$5,700 for singles).
5. You can also increase your standard deduction by adding state and local sales and excise taxes on new cars bought between February 17 and December 31, 2009. The deduction is limited to taxes paid on the first \$49,500 of the purchase price. Income limits apply.
6. A potential refund of a portion of the American opportunity education credit. When the amount of your credit exceeds your 2009 tax, you can get a refund of up to \$1,000 per eligible student.

#### Vehicle tax breaks for 2009

Did you contribute to the popularity of the "Cash for Clunkers" program or the recently announced profitability of a major car company? If so, keep the paperwork for your new vehicle handy. You might be eligible for deductions on your 2009 federal income tax return.

**Here are some current year tax breaks.**

#### Sales tax deduction

New for 2009, this deduction is available on your personal income tax return whether you itemize or take the standard deduction.

The deduction is for state and local sales and excise taxes paid on the first \$49,500 of the purchase price. It applies to that new car, light truck, motorcycle, or motor home you bought between February 17 and December 31, 2009. Multiple vehicles can qualify.

The deduction begins to phase out when your income reaches \$250,000 on a joint return (\$125,000 for singles).

#### Increased depreciation deduction

Depending on the type of vehicle you purchase for your business, you could qualify for a Section 179 depreciation write-off of up to \$250,000 for 2009. (SUVs are limited to \$25,000.)

A special depreciation deduction is also available. This "bonus" depreciation increases the amount of first-year depreciation on new passenger autos used in your business to as much as \$10,960 (\$11,060 for vans and light trucks).

#### Business mileage deduction

Do you use your new vehicle to run business errands, make sales calls, or conduct other business? Update your log book for 2009 to reflect where you went and what you did, and you can deduct 55¢ for each business mile you drove.

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. □



## Investments

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### Protecting Your Retirement Investments During a Job Transition

The current economic and market environment has prompted many Americans to rethink their retirement strategies. If you are experiencing a job transition—particularly if the transition is unplanned and unexpected—such a reassessment may be particularly important for you. While it may be tempting to focus more on your immediate needs, you should not lose sight of long-term goals, especially your retirement strategy.

#### Some Basic Decisions

Your employer-sponsored retirement plan is likely to be a key component of your retirement strategy. Because it represents a key source of future retirement income, it is important to carefully consider your alternatives for administering these assets. During a job transition, you will usually have three options: take a lump sum distribution, leave your assets in the employer-sponsored plan or move your assets into a Rollover IRA.

#### Taking a direct, lump sum distribution

- With this option, the assets in your plan are distributed directly to you in a lump sum, which provides you with immediate access to your funds. Depending on your short-term needs, that may appear to be an attractive alternative. However, a distribution will likely result in substantial federal and state income taxes and a 10% IRS penalty tax, which can significantly reduce the amount of the distribution. Because you will be receiving the distribution directly, the plan administrator must withhold up to 20% of the value of the distribution for federal income tax purposes. Moreover, you will lose the benefit of the tax-deferred status of these assets, which could reduce the amount ultimately available to you at retirement.

**The status quo option** - You can decide to do nothing, leaving your assets in your former employer's plan. That will protect the tax-deferred status of your assets and allow you to transfer the account assets at a later time to a new employer's retirement plan that accepts rollovers. But you may be limiting your investment choices and control because employer plans typically have a restricted investment menu and require the consent of your spouse before you can name someone else as a beneficiary.

**Establishing a Rollover IRA** -- A Rollover IRA simultaneously addresses the issues of taxation, flexibility and control, and may hold significant benefits for you as a result:

If your distribution is transferred directly to a custodian, rather than to you, the Rollover IRA eliminates the withholding requirement and penalties that may result from a lump sum distribution.

The entire rollover amount can be invested immediately, according to the strategy you specify.

Your assets and any earnings continue to have the potential to grow tax-deferred until you retire and begin taking withdrawals.

You may gain access to a wider range of investment options and more retirement planning and distribution flexibility.

You can name any beneficiary, including a trust, without needing the consent of your spouse (although special rules may apply in community property states). For example, investment products in an employer plan are usually limited to

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## Music News

By: **Marek Żebrowski and Krysta Close**

### Chopin Year

By unanimous vote of the Polish Parliament, 2010 has been designated the year of Frederic [Fryderyk] Chopin. 2010 marks the 200th anniversary of the birth of this extraordinary composer and pianist. The music of Chopin is one of the most cherished Polish cultural assets and is performed around the world constantly. Members of Parliament expressed their excitement and support for the idea and some even pointed out that until 1989 there was a grand piano in the Parliament building.

Throughout the year, Poland will host concerts, exhibitions, screenings and many other events celebrating Chopin's life and musical output. In honor of this important anniversary, Polish officials have also invested significant amount of time and money to renovate and prepare Chopin-related spaces and buildings. Commemorations of Chopin's legacy will take place throughout the world as well, but we will begin this year with a taste of the celebrations taking place in Chopin's homeland.

#### Chopin Museum and other renovations

The Fryderyk Chopin Museum will reopen on March 1, 2010. The 1300 square meters of Ostrogski Castle on Tamka street in Warsaw was transformed into "the most modern and beautiful biographical museum in Europe," according to Poland's Minister of Culture, Bogdan Zdrojewski. The museum will combine multimedia with historical objects to present the story of Chopin's life.

Chopin lovers will experience cutting edge technology from their first moment inside the museum. Paper tickets have been replaced by an electronic card, which can be programmed for four different levels of content access as well as choice of language. Thanks to the electronic pass, visitors will be able to experience over 100 computer stations placed in 11 display halls. Each station is dedicated to a different part of Chopin's life and work and the presentations will be accompanied by projection of animated shadows, making visitors feel as if they were surrounded by people from Chopin's era.

Next door to the Museum there will be a new Chopin Center housing several Chopin organizations—this Center will be open for visitors on February 22, 2010. Near the Chopin Museum and Center is the Fryderyk Chopin Music University. These three institutions will create a comprehensive Chopin-dedicated area in Warsaw, the city of Chopin.

Żelazowa Wola Manor, the birthplace of Chopin, has also been transformed into a cultural and educational center. The church in Brochów, where Chopin was baptized, has been renovated in accordance with period design and acoustics were adjusted, allowing the church to serve as a concert venue. Both spaces will be open to the public on April 23, 2010.

According to Minister Zdrojewski, these projects consumed approximately 147 million PLN, or \$50 million USD.

#### Music abounds

There will be numerous musical events throughout Poland in 2010, however three of them are the crown jewels of the offerings. From February 22 to March 1 the National Frederic Chopin Institute will present **Chopin Birthday Concerts**, which will conclude with a Gala Concert at the Grand Theater – National Opera. The scope of the artists invited to perform includes the greatest names in the piano world, including: Rafał Blechacz, Ivo Pogorelić, Piotr Anderszewski, Murray Perahia, Garrick Ohlsson, Kevin Kenner,

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## Legal

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### Immigration Reform will go forward says Secretary of DHS

The Obama campaign promise of immigration reform will be kept in early 2010, according to the administration's top immigration official.

In November, Department of Homeland Security (DHS) Secretary Janet Napolitano announced that the administration will introduce to Congress and the public a proposal for immigration reform and a path to legal status for the undocumented.

In a speech in Washington, Secretary Napolitano described the security and enforcement measures that her agency has taken under her tenure to enforce current immigration laws. After the last campaign for immigration reform failed in 2007, the federal government announced that it would strengthen the security of the borders first, before seeking passage of reform.

The government also released statistics this month showing that the number of persons trying to cross the border with Mexico dropped last year by 25%. The border patrol arrested 556,000 people last year, the lowest in several decades. The number of arrests have steadily declined since 2000, when there were 1.6 million arrests.

The Secretary argued that this was a result of the agency's efforts to secure the border. Staffing of the border patrol has been increased. About 3,500 U.S. Border Patrol agents now work along California's 140-mile border with Mexico. The federal government erected about 45 miles of fencing across the California border last year.

But she said that increased border security is not enough. "While it's important to emphasize the need for immigration reform from an enforcement perspective, the need for reform stretches far beyond those reasons. We have to make sure the immigration system works to support American families, businesses and workers," stated Secretary Napolitano.

The time is now for immigration reform, according to the Secretary. At the end of the day, when it comes to immigration, people need to be able to trust the system. Americans need to know that their government is committed to enforcing the law and securing the border - and that it takes this responsibility seriously. Law enforcement needs to have better legal tools and the necessary resources to deal with border-related and immigration-related crime. Businesses must be able find the workers they need here in America, rather than having to move overseas. Immigrants need to be able to plan their lives - they need to know that once we reform the laws, we're going to have a system that works, and that the contours of our immigration laws will last. And they need to know that they will have as many responsibilities as they do rights...This Administration does not shy away from taking on the big challenges of the 21st century, challenges that have been ignored too long and hurt our families and businesses." □

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