Welcome to Craft, Noble and Company's e-news update. We hope that everyone is having a great summer. Here's the most current news for you to read while you sit and enjoy the outdoors. If you would prefer to receive a print copy of each quarterly e-newsletter, please call our office to place that request.

Be sure to follow us on social media, we are on Facebook and Google+. Our partner Jared Noble is also on twitter (@JaredNobleCPA). Get connected for more up-to-date news and information.

Likewise, if you know a friend or colleague who might be interested in receiving this e-newsletter, just click the "Forward to a Friend" button. Privacy and confidentiality is a hallmark of our business, so you can be assured your name or address will not be shared with anyone.

# Major Tax Deadlines for July

**July 31**- This is the due date for filing retirement or employee benefit plan returns (5500 series) for plans on a calendar year.

**Payroll Tax Deposits**- Employers must make their deposits for the Form 941 payroll taxes (federal income tax withheld and the employee and employers share of the social security taxes). These deposits should be made either monthly or semiweekly depending on your deposit schedule. Exceptions apply if you owe $100,000 or more on any day during the deposit period, if you owe $2,500 or less for the calendar quarter, or if you estimated annual liability is $1,000 or less.

> **Monthly deposits**- These deposits are required to be paid within a calendar month by the fifteenth of the following month.
>
> **Semiweekly deposits**- These deposits are required to be paid on Wednesdays or Fridays, depending on when wages are paid.

For any questions you may have on these deadlines, contact our office.

# Tax credits to small business owners

The state of Kentucky has established the Kentucky Small Business Tax Credit (KSBTC). This program is designed to encourage small business growth and job creation. Kentucky allocates $3 million for the KSBTC credit each year. Last year, Kentucky businesses received less than a tenth of the money allotted due to very few companies applying.

While there are exceptions, most for-profit businesses with 50 or fewer full-time employees are considered eligible to receive the credit. The tax credit can total anywhere from $3,500 to $25,000, depending on the number of employees you hire and the total investment in equipment and technology.

More information on the credit can be found at www.KYTaxCredit.org

# Get ready for “chip” cards

In an effort to reduce fraud, credit and debit card issuers are in the process of updating cards with new microchip technology. The updated cards have a small computer chip embedded in them to safely store the cardholder's data. If your business accepts credit and debit card payments, you'll want to investigate the cost in both time and money to upgrade your card-reading equipment. While the new cards will generally also have a magnetic strip so you can continue to use your current reader, there's a good reason to start preparing for the changeover: liability. If you haven't switched to the new technology by October 2015, you may be liable for the cost of fraudulent transactions.

# IRS released the “Dirty Dozen” tax-related scams

Each year the IRS publishes a "Dirty Dozen" list of tax-related scams. Here's the list for 2015.

- **Phone scams**. Con artists impersonating IRS employees may call you, demanding money or promising a refund if you "confirm" your social security number. Remember – a legitimate IRS call will always be preceded by written correspondence from the agency.
- **Phishing**. Thieves commonly use fake e–mails and websites to steal personal information. Your response: Never click on unfamiliar links or attachments. The IRS won't e–mail you without first sending a notice to your physical address.
- **Identity theft**. Your financial identity may be stolen through phone scams, phishing, misuse of information provided to businesses, or dumpster diving. Protect your social security number and other personal information, and avoid providing such data whenever possible.
- **Return preparer fraud**. Unscrupulous tax preparers may use your information to create inflated refund claims or steal your identity. If a preparer's representations or demeanor makes you uncomfortable, take your business elsewhere.
- **Hiding income offshore**. The IRS has been stepping up enforcement actions against undeclared offshore accounts. You're allowed to maintain such accounts, but you're required to report them.
- **Inflated refund claims**. Avoid return preparers who promise refunds up front, or who base fees on a percentage of your refund. Be sure your refund will be mailed to your address or deposited directly into your bank account.
- **Fake charities**. Fake charities are used to steal your money, your identity, or both. Use the "Exempt Organizations Select Check" feature at www.irs.gov to determine whether a charity is legitimate.
- **Fake documents**. If a return preparer suggests filing false Forms 1099 or using fake documents for any purpose, walk away.
- **Abusive tax shelters**. Abusive shelters use structures ranging from phony entities with no real assets to complex multi-entity conglomerates with offshore accounts. Be careful of investments that emphasize tax avoidance over growth or earnings.
- **Falsifying income to claim credits**. This scam involves reporting nonexistent income in order to claim tax credits. This is tax fraud – and you should never agree.
- **Unwarranted claims for fuel tax credits**. Fuel tax credits are generally limited to off-highway business use, such as farming. If you don't qualify, don't let anyone talk you into claiming them.
- **Frivolous tax arguments**. Beware of anyone who urges you to rely on "innovative" legal theories to justify non-payment of taxes. The Sixteenth Amendment to the U.S. Constitution authorizes Congress to levy an income tax and the tax remains enforceable until Congress repeals it.

# How to get your business back on track

For years, your company generated strong revenues. Existing customers seemed satisfied. So you started taking risks. You borrowed money to finance expansion into new markets. You developed new product lines. You augmented your sales force and increased the advertising budget. But problems are beginning to surface. In recent months, profits have been dwindling. Customers are complaining with greater frequency. Competitors are encroaching on your market share. What's going on?

The problems are warning signs that you're headed in the wrong direction – and you don't want to ignore them until it's too late. Falling sales may indicate that customers are switching to competitors because the quality of your flagship product is declining. Perhaps your sales staff is losing motivation. Maybe your new product line has diverted attention from the cash–producing areas of your business.

Turning around an existing business takes humility and a willingness to make hard choices. Admitting you made mistakes may not be easy, but inflexibility in the face of changing market conditions or unpleasant fiscal realities is a sure path to failure. If your company has lost its way, consider these three tips.

- **Focus on the money-makers.** In the 1960s, The Boeing Company spent over a billion dollars to develop a supersonic transport plane known as the SST that would carry approximately 200 passengers at more than twice the speed of sound. But demand for the SST – at least at a cost customers were willing to pay – didn't materialize. So the company changed direction and re–focused on slower but more profitable airliners. On a smaller scale, your business may have developed products that customers simply aren't willing to buy. If that's the case, it may make sense to redirect your company's available resources. Does that mean you should never create new product lines or expand into new markets? No. But new products must eventually improve the bottom line. If they don't make money within a reasonable time, you need to refocus**.**

- **Establish (or reestablish) your brand.** Identify what you do best; then tell everyone. Your goal is to educate customers, vendors, and employees on the reasons why your product or service is better than the competition. Be specific. Don't say, "We do quick oil changes." Instead, let people know, "Your car will be in and out in 30 minutes or less." Of course, to remain credible you must back up your claims, so it's important to be realistic. Win your customers' trust by following through.

- **Track results.** Once you're re-focused on the money-making segments of your business, keep a close eye on the numbers. Know whether customer complaints are down, cash flow is improving, back orders are declining, and market share is holding steady or increasing. If profits aren't showing an upward trend, take another look – then adjust and re-measure.

# Go forward or backward to utilize tax benefits

Although the tax code contains some exceptions, income is generally taxable in the tax year received and expenses are claimed as deductions in the year paid. But "carryforwards" and "carrybacks" have special rules. In this case, certain losses and deductions can be carried forward to offset income in future years or carried back to offset income in prior years, providing tax benefits.

Here are four examples.

- **Capital losses**. After you net annual capital gains and capital losses, you can use any excess loss to offset up to $3,000 of ordinary income. Remaining losses can be carried over to offset gains in future years. The carryforward continues until the excess loss is exhausted.

  For example, suppose you have a net capital loss of $10,000 for 2015. After using $3,000 to offset ordinary income on your 2015 return, you carry the remaining $7,000 to 2016. The excess loss is first applied to your 2016 capital gains, and then to as much as $3,000 of your ordinary income. Any remaining loss is carried forward to 2017 and future years.

- **Charitable deductions**. Your annual charitable deductions are limited by a "ceiling" or maximum amount, as measured by a percentage. For example, the general rule is that your itemized deduction for most charitable donations for a year can't exceed 50% of your adjusted gross income (AGI). Gifts of appreciated property are limited to 30% of your AGI (20% in some cases) in the tax year in which the donations are made. When you contribute more than these limits in a year, you can deduct the excess on future tax returns. The carryover period for charitable deductions is five years.

- **Home office deduction**. If you qualify for a home office deduction and you calculate your deduction using the regular method, your benefit for the current year can't exceed the gross income from your business minus business expenses (other than home office expenses). Any excess is carried forward to the next year. Caution: No carryforward is available when you choose the "simplified" method to compute your home office deduction.

- **Net operating losses (NOLs)**. Business NOLs can be carried back two years and forward 20 years. Here's how it works. Say you calculate a $50,000 NOL in 2015. Under the general rule, you'll use the loss first to offset taxable income in 2013 and 2014. Then you'll carry the remainder forward, potentially until 2035. Tip: As an alternative, you may opt to forego the carryback and instead carry the entire NOL forward.

Give us a call for help in maximizing the tax benefits of carryforwards or carrybacks.

# Taxes & Marriage

Wedding bells bring rejoicing — and financial changes. If you're marrying for the first or second time, the changes might seem overwhelming. On the surface, tax and financial planning for a second marriage is similar to that of a first marriage.

For example, no matter what month you hold the ceremony, the IRS will consider you married for the full year. That means employer-provided fringe benefits and taxes withheld from your paychecks could require adjustment. Depending on how much each of you earns and your past financial history, you'll have to decide what filing status will be most beneficial, and how best to take advantage of tax breaks that may become available.

With a marriage, you have even more decisions to make, including how you'll merge your assets. Will you purchase a new home? If both of you already own separate homes, you may each qualify for a $250,000 federal income tax exemption on the profit from the sale, as long as you have lived in the home for at least two of the last five years. If only one of you meets the requirements for the exemption, consider selling the qualifying home and living in the other for a while.

You or your spouse might also have substantial debt or financial obligations. Discuss your financial histories, including alimony or child support still owed and past bankruptcies. Decide who will provide for the college expenses of the children in your now-combined household. Depending on your age, you may want to investigate the effect of the marriage on your social security benefits.

Consider estate issues too, such as updating retirement plans with new beneficiary designations and retitling bank and brokerage accounts. Be sure to discuss how heirs from previous marriages will be provided for, and remember to update your wills.

A wedding is a joyful event for you, your new spouse, and your extended families. To give your marriage an added advantage, call us before you say, "I do." We'll offer our congratulations — followed by useful financial and tax planning advice.

# Tax Checklist: After the wedding

Don't wait too long after the wedding to spend a little time on tax matters. Here's a checklist of things to consider.

- If you've taken your spouse's last name or hyphenated your last name, you need to notify the Social Security Administration. The agency will link your new name to your social security number and issue a new social security card.

- Update your will and other estate planning documents. Don't forget to review the beneficiaries on your IRAs, 401(k) plan, and life insurance policies. You'll want to make sure your documents are updated and taxes are minimized in the event of your disability or death.

- If you move to a new home, send a change of address to the IRS, the financial institutions where you have accounts, and current-year employers. Then your W-2s and IRS notices will find their way to you.

- Your marital status for tax filing is determined by your status on the last day of the year. Determine if there is a marriage penalty. See whether you need to change your income tax withholding. File a new Form W-4 with your employer's payroll department to notify them of your name change and any withholding change.