



CRAFT, WANINGER, NOBLE
& COMPANY, PLLC

CPAs & Trusted Advisors
Post Office Box 827
Richmond, KY 40476
www.craftnoble.com

Welcome to Craft, Waninger, Noble and Company's e-news update.

Welcome 2020. A new year calls for a fresh look at your financial strategies.

Be sure to follow us on social media for regular updates on changes in tax law, accounting concepts, firm news, and some fun. We are on Facebook, Twitter, and LinkedIn so be sure to check us out and stay connected year-round.

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.

Effective January 1, 2020 Craft, Noble and Company, PLLC became Craft, Waninger, Noble & Company, PLLC.

The firm will continue to provide all the same services as we have over the last 30 years. We look forward to serving everyone and hope you enjoy the new look!

Samuel L. Waninger joined the firm in 2012 as a Staff Accountant after graduating from Kentucky Wesleyan College with a Bachelor's of Science degree in Accounting. He earned his CPA license in 2016 and became a limited partner in 2017. Sam resides in Richmond with his wife, Christina, and daughter, Ella.

5 Best Tips to Prepare for Tax-Filing Season

As the new year begins, it's a good idea to start thinking about how you'll handle your federal tax return. Even if your financial situation is simple and straightforward, it pays to make sure you're up-to-date and doing all you can to reduce your tax bill.

Here are the 5 best tips for tax-filing season:

1. **Double-check your paycheck.** After the passage of the Tax Cuts Act in December 2017, it took the IRS a while to revise the withholdings table. If you haven't checked the withholdings amount on your pay stub this year, you should double-check your paycheck. If you're not having enough tax withheld from your paycheck, you will owe Uncle Sam at tax time. If too much tax is being withheld, you'll get a refund- but maybe you'd rather have that money in your pocket every week.
2. **Decide who will prepare and file your taxes.** If you had major changes in your life in 2019, maybe you got married or divorced or started your own business, your taxes will be more complicated. Don't wait until the calendar flips to April to make that decision because it could end up costing you.
3. **Make out retirement plan contributions.** If you've been stingy about funding your employer-sponsored 401(k), 403(b) or other tax-deferred retirement accounts, do yourself a favor and increase your contributions. The money you put in these accounts reduces your taxable income for the year, which reduces your tax bill. It isn't taxed until you withdraw it.

4. **Shield yourself from tax scams and fraud.** As tax season approaches, many people start getting phone calls, emails, and text messages from entities claiming to be the IRS. U.S. mail is the only way the IRS will correspond with you so don't fall for these tricks.
5. **Don't ignore the IRS.** Taxpayers who don't file returns and owe taxes, or who file but don't pay taxes on time are risking serious penalties. Don't delay and file your taxes on time.

2020 Retirement Plans

By establishing your contribution goals at the beginning of each year, the financial impact of saving for your future should be manageable. Here are the annual contribution limits:

Retirement Plans	2019	2020	Change	Age 50 or older catch up
IRA: Traditional	\$6,000	\$6,000	none	add: \$1,000
IRA: Roth	\$6,000	\$6,000	none	add: \$1,000
IRA: SIMPLE	\$13,000	\$13,500	+\$500	add: \$3,000
401(k), 403(b), 457 plans	\$19,000	\$19,500	+\$500	add: \$6,500

Take Action

As part of your 2020 planning, now is the time to review your retirement accounts. Consider planning by:

- ✓ Reviewing and adjusting your periodic contributions to your retirement savings account to take full advantage of the tax advantaged limits
- ✓ Setting up new accounts for spouse or dependents(s)
- ✓ Reviewing the status of your retirement plan
- ✓ Reviewing contributions to other tax-advantaged plans including flexible spending accounts and health savings accounts.

Cash Flow: A Central Part of Your Business Plan

When tracking and planning your business objectives, it's easy to focus your analysis on two reports — the income statement and balance sheet. But one of the primary keys to your business's success relies more on how you handle the money flowing in and out of the business. The appearance of a solid profit can hide a lurking cash flow problem.

Here are practices to help you give your cash flow the attention it deserves:

- **Understand your cash position.** Start with simply getting in the habit of monitoring your bank account activity daily to watch for mistakes or unforeseen charges. Then look at each business process that involves cash — purchasing, inventory, collections and payroll are good examples. Consider extending terms for paying vendors, establishing shorter terms for customers to pay and implementing a review process to ensure accurate payroll calculations. Also explore opportunities to turn over your inventory faster.

- **Create a cash flow statement forecast.** With your knowledge of cash, create a forward-looking statement of monthly cash flow. It will reflect the ebbs and flow of cash throughout the year and identify times of cash crunch. You can then see the impact of changes you are making on your company's cash position.
- **Identify relevant ratios.** There are many helpful cash flow ratios. Identify ratios that are especially helpful to your business. Have debt? Consider the cash flow coverage ratio (operating cash flow ÷ by debt) to help plan for scheduled debt payments. Making a lot of capital purchases? Use the free cash flow calculation (operating cash flow – capital expenditures) to determine how much cash will be left over after the purchases.
- **Build in some contingencies.** Most businesses experience seasonality. Understanding your business cycles can help you strategically manage cash in high cash months to cover shortfalls that come in low cash months. Set up a line of credit so it's available in the case of an emergency, or as a bridge during short-term liquidity needs. A line of credit only charges interest only when used, so it's a perfect tool to have at your disposal.
- **Watch for hidden cash hijackers.** Oftentimes, large cash expenditures can be hidden on your income statement or balance sheet. A few examples are payments on capital purchases, debt obligations, dividends, guaranteed payments to partners and taxes. Income taxes, when not accounted for correctly, can cause a twofold problem — a large lump sum that is due in a short amount of time, plus a larger obligation to account for going forward. Don't wait until the end of the year to project your tax provision.
- **Appoint someone to manage cash.** As with many business processes, important details can fall through the cracks if there is not clear accountability as to who is responsible for the task. So assign yourself or someone you trust to manage the company's cash flow.

When businesses fail, it's usually because they run out of money. By making cash flow a central part of your business plan, you greatly reduce this risk.

Major Employment Tax Deadlines

Handling employment taxes can be complicated, especially when you're required to file important tax documents throughout the year. Here's a list of key forms and deadline dates to help keep you on track.

Form 941 — Employer's quarterly federal tax return

This form is used to report income tax withheld from employees' pay and both the employer's and employees' share of Social Security and Medicare taxes.

Employers generally must deposit Form 941 payroll taxes on either a monthly or semiweekly deposit schedule. There are exceptions if you owe \$100,000 or more on any day during a deposit period, if you owe \$2,500 or less for the calendar quarter, or if your estimated annual payroll tax liability is \$1,000 or less.

- Monthly depositors are required to deposit payroll taxes accumulated within a calendar month by the 15th of the following month.
- Semiweekly depositors generally must deposit payroll taxes on Wednesdays or Fridays, depending on when wages are paid.

Return filing deadlines:

- **Jan. 31, 2020** – Due date for filing Form 941 for the fourth quarter of 2019. If you deposited your taxes in full and on time, you have until Feb. 10, 2020, to file this return.
- **April 30, 2020** – Due date for filing Form 941 for the first quarter. If you deposited your taxes in full and on time, you have until May 11, 2020, to file this return.
- **July 31, 2020** – Due date for filing Form 941 for the second quarter. If you deposited your taxes in full and on time, you have until Aug. 10, 2020, to file this return.
- **Nov. 1, 2020** – Due date for filing Form 941 for the third quarter. If you deposited your taxes in full and on time, you have until Nov. 10 to file this return.

Form 940 — Employer's annual federal unemployment tax return (FUTA)

This return is due annually. However, FUTA tax must generally be deposited once a quarter if the accumulated tax exceeds \$500.

- **Jan. 31, 2020** – Due date for filing 2019 Form 940. If you deposited your taxes in full and on time, you have until Feb. 10, 2020, to file this return. This day is also the deadline for depositing federal unemployment tax for October, November and December 2019.
- **April 30, 2020** – Deadline for depositing federal unemployment tax for January, February and March 2020.
- **July 31, 2020** – Deadline for depositing federal unemployment tax for April, May and June 2020.
- **Nov. 1, 2020** – Deadline for depositing federal unemployment tax for July, August and September 2020.

Form W-2 — Wage and tax statement

Employers are required to send this document to each employee and the IRS at the end of the year. It reports employee annual wages and taxes withheld from paychecks.

- **Jan. 31, 2020** – Due date for employers to provide 2019 Forms W-2 to employees, and for employers to send copies of 2019 W-2s to the Social Security Administration, whether filing electronically or with paper forms.

Please call for help with specific details about your filing requirements and for more information on tax deadlines that apply to your business.

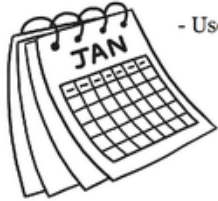
When does the new decade start?

A helpful guide

There has been a lot of confusion lately over when the new decade starts.

The problem is that we have 2 separate systems that we use interchangeably without realising.

The Gregorian System



- Uses January 1st 1 as a starting point

- Because of this, the beginning of every new decade/century etc. starts at 1

- Examples of this would be:

- "The 2nd millenium and the 3rd millenium"
- "The 20th century and 21st century"
- "The 199th decade and 200th decade"

- This system works better on a **larger scale**, because it gives us a reference point to work with.

- Commonly used when talking about centuries, but never used when talking about decades

The "Xo's" System



- Uses January 1st XXXo as a starting point

- Because of this, every new decade/century etc. starts at 0

- Examples of this would be:

- "The 1000s and 2000s"
- "The 1900s and 2000s"
- "The 80s and 90s"

- This system works better on a **smaller scale**, as it provides nice digestible starting points for each decade

- Because most people live through multiple decades, but rarely through multiple centuries this system is used commonly for decades, but rarely anywhere else

- According to this system the new decade begins on **January 1st 2021**. This is "the 203rd decade"

- According to this system the new decade begins on **January 1st 2020**. This is "the 20s"

Both systems are equally valid, and serve a unique purpose. To say one system is wrong would be incorrect. However, it is important that we understand how and when to use them.