

- ▶ Welcome to the third issue of Craft, Noble and Company’s e-news update. Our clients have told us they appreciate receiving tax updates, notification of filing deadlines and other informative business and tax news. So we’ve designed a convenient and timelier way of keeping you informed. If you would prefer to receive a print copy of each quarterly e-newsletter, please call our office to place that request.

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.

IS YOUR CHILD A BUDDING ENTREPRENEUR?

Perhaps you’re thinking of helping one of your children get started in business. Since the failure rate for new businesses is high, you need to do whatever you can to increase your child’s chances success.

MOTIVATION

Evaluate the proposed business. Find out how much time, thought, and effort your child has already devoted to the proposed business. Suggest approaches to researching the market and determining the resources, knowledge, and skills that will be needed. Your input should be limited to guidance and ideas.

Once your child has completed the necessary groundwork, and if the project still seems reasonably feasible, you’ll be ready to consider the next steps.

MONEY

Follow these financial guidelines:

Never put up more money than you can comfortably afford to lose.

Try not to be the sole source of capital.

Risk is part of the business experience. Although loans from outside sources may also be part of the mix, they should be limited.

Set limits.

Make it clear that you’ll lend or invest a specific amount and no more. You also may wish to set restrictions on the use of the funds within the business.

Put everything in writing.

Signed notes that stipulate repayment terms and require interest at market rates should support loans. Investments should be supported by partnership agreements, shareholder agreements, or similar documents that

describe operating arrangements, profit and loss sharing, buyout provisions, and closing contingencies.

Don't forget tax planning.

You probably will want to allocate any taxable income to your child, and you will want to be able to write off your loss if the business goes bad. Proper documentation will be paramount, since the IRS closely scrutinizes family transactions.

MENTORING

Offer guidance. Explain the reasons behind each of your requirements, and make it clear that the child must consider your input as a condition of accepting your money. Offer advice freely, but let your child make more of the business decisions. Mistakes are part of the learning process.

We can assist with the reviews and planning necessary for your child's business's success. Give Craft, Noble & Company's office a call.

MAJOR TAX DEADLINES

For May 2008

May 31 Deadline for IRA, SEP, SIMPLE, Roth IRA, MSA, and education savings account trustees to file annual statements (Form 5498) with the IRS, with copies to participants.

NOTE: Businesses are required to make federal tax deposits on dates determined by various factors that differ from business to business.

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 liability is \$1,000 or less.

* Monthly depositors are required to deposit payroll taxes accumulated within a calendar month by the fifteenth of the following month.

* Semiweekly depositors generally must deposit payroll taxes on Wednesdays or Fridays, depending on when wages are paid.

REVIEW YOUR 2008 TAX STRATEGY

Tax laws seems to be changing all the time. Here's an overview of tax saving opportunities for 2008.

* To minimize tax damage from the "kiddie tax", keep investment income of children below or near the annual threshold (\$1,800 for 2008). For example, have a child switch funds into tax-deferred or tax-free investment vehicles. The age limit has been increased from 18 to 19. For full-time students, the kiddie tax will apply until age 24.

* The maximum tax rate on net long-term gain and qualified dividends for taxpayers normally in the 10% or 15% regular income tax brackets is reduced 5% to 0% for 2008—and will remain in effect through 2010. Push your taxable income below the cut-off point for the regular 25% tax bracket, and you could qualify for the 0% rate.

* Under the new economic stimulus law, your business can deduct up to \$250,000 of assets placed in

service in 2008. In addition, a business may elect “bonus depreciation” in 2008 equal to 50% of the cost of qualified assets. Your business can combine the Section 179 deduction with bonus depreciation. Regular depreciation deductions may be claimed for any remainder.

* The new mortgage relief law calling for a full deduction for taxpayers with an AGI of \$100,000 or less extends this tax break through 2010. Therefore, you may qualify for a 2008 deduction for amounts paid or accrued this year.

* Although, deductible IRA contributions are generally not available to high-earning taxpayers if either spouse participates in an employer’s retirement plan, contributions may still grow on a tax-deferred basis until withdrawn. The contribution limit for the 2008 tax year has increased from \$4,000 to \$5,000. If you’re age 50 or older, you can add a “catch-up contribution” of \$1,000. The contribution deadline for 2008 is April 15, 2009, but you may earn more by contributing earlier.

* Finally, a word about the new economic stimulus payments the IRS had been distributing: These rebates aren’t available until you’ve filed your 2007 return. Individuals who normally aren’t required to file return—such as those receiving social security benefits—may follow a simplified filing procedure.

To discuss the tax-saving ideas best suited for your business, give Craft, Noble & Company’s office a call.

PUT YOUR TAX RETURN TO GOOD USE

Don’t just spend a tax refund or rebate check; put it to work improving your financial well-being.

1. Pay off consumer debt. You probably won’t save quite as much by paying off other types of loans, but you should consider that as well.
2. A contribution to an IRA is a good idea whether it’s tax-deductible or not because IRA earnings grow tax-deferred. If you’re self-employed and show a profit for the year, you can also make a tax-deductible contribution to a Keogh plan.
3. Start or add to an education fund. Consider investing your extra money in stock or bond mutual funds earmarked for your child’s education. We can help you decide whether your education fund should be held in your name, your child’s name, or in trust.
4. Invest in yourself. Have you put off training for new job responsibilities or a new career because you couldn’t afford it? You may be entitled to a tax deduction for education expenses that are your employer requires or that improve the skills required on your current job.

Please contact Craft, Noble & Company for more suggestions. We are here to help.

PREPARE FOR JOB LOSS

In today’s economy, the job market is not secure. Companies are downsizing, reducing hours, or cutting salaries to remain competitive. Losing your job or having your pay cut can be financially devastating. Here are things you can do to protect yourself, whether your job is threatened or you’re suddenly terminated.

- * Take stock of your finances. List all of your debts and the monthly payments. Estimate what your monthly living expenses would be if you were not working.
- * Line up sources of extra cash in case you need it. It’s easier to obtain credit while you’re still employed.
- * Consider an equity line of credit if you own a house. You can draw this down, as you need it, tapping into

the equity in your home. Check whether it would pay to refinance your mortgage.

- * Start your job search immediately. Resist the temptation to take a vacation to “recover.”
- * Set yourself an aggressive budget and stick to it. It’s better to reduce spending now than regret it later.
- * If you begin to have problems making loan payments, talk to the lenders before you fall into arrears, and try to work out a payment plan.
- * Tap into retirement savings such as IRAs or 401(k)s only as a last resort.

Hopefully you’ll never find yourself in this situation. While you’re working, develop a regular savings habit. Try to build a reserve equal to six months of living expenses for job loss or other disasters. Then at least you’ll have a financial cushion if the worst should happen.

LEGISLATION ALLOWS HIGHER DEPRECIATION LIMITS FOR NEW VEHICLES

The first-year limit for new cars is \$10,960; for used cars, it’s \$2,960. Depreciation limits for later years are the same for both new and used cars: \$4,800 in year two, \$2,850 in year three, and \$1,775 in all following years.

The 2008 first-year depreciation limit for trucks and vans is \$11,160 for new vehicles and \$3,160 for used vehicles. Limits for both new and used vehicles in year two are \$5,100, in year three \$3,050, and in each succeeding year are \$1,875.

Contact Craft, Noble & Company if we can assist you further.