

- ▶ Welcome to the fourth 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.

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## TURN A COMPLAINT INTO AN OPPORTUNITY

Nobody in business wants an unhappy customer, but when a customer complains, think of it as three opportunities in one:

An opportunity to get free feedback on something that’s not working right in your organization.

An opportunity to convert a disgruntled customer into a loyal customer.

An opportunity to head off negative publicity as the complainer shares his gripe with others.

How do you turn a complaint to your advantage? Here are the four steps you need to take.

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### 1. The initial response.

The initial response to a complaint should be respectful and helpful, not defensive or “it’s not our fault.”

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### 2. Understanding the complaint.

Make sure you really understand the true complaint. This is perhaps the most important part of the process. By allowing the customer to vent, you’ll defuse a large part of the hostility and ill will. Also, this step provides valuable feedback to pinpoint the exact problem and find out exactly what went wrong.

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### 3. Fixing the problem.

Employees must know clearly who has the responsibility and the authority to fix a problem. You may choose to compensate the customer for inconvenience, but at a minimum, you must remedy the customer’s immediate concern.

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### 4. The follow-up.

A supervisor or higher-level manager should always follow up with the customer to make sure that the problem has been resolved. This is a key step in turning the customer from “disgruntled” back to “loyal.”

For assistance with this or any of your business concerns, please contact Craft, Noble & Company. describe operating arrangements, profit and loss sharing, buyout provisions, and closing contingencies.

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## MAJOR TAX DEADLINES

### For August 2008

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

Payroll tax deposits: Employers generally must deposit Form 941 payroll taxes (income tax withheld from employees' pay and both the employer's and employees' share of social security 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.

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## IRS AUDIT FOCUS ON WORKER CLASSIFICATION

One of the biggest headaches for business owners is the classification of their workers. If the wrong choice is made, the IRS could step in and assess additional taxes, penalties, and interest.

Most employers would rather hire contractors, paying them as "independent" people and avoiding the imposition of any payroll taxes, worker compensation insurance, or other payroll-related benefits. This method is much cheaper for the employer and can be accomplished with much less paperwork. The IRS, on the other hand, stresses that workers that are truly employees must be classified as such, with the employer paying appropriate payroll taxes and benefits.

Simply calling an employee a "contractor" isn't good enough. There must be a reasonable basis to treat a worker as a contractor. If the IRS reviews worker classifications, they will be looking at the amount and type of control an employer has over the workers. If the IRS determines that workers who were classified and paid as contractors are really employees, additional payroll taxes (both the employer and employee portion), penalties, and interest can be assessed against the employer. Make no mistake: these can be serious amounts of money.

The IRS has developed twenty factors which are used on a case-by-case basis to determine if a worker is an employee or contractor. No one factor determines the classification. Instead, all of the factors are weighed, and the preponderance of those factors determines the correct classification.

Some of those factors include the instructions and training given to the worker, if the worker performs services for other clients, the location where services are performed, how the worker is paid (hourly indicates an employee), if the worker has his own tools, etc. You should review all of the factors for any of your questionable workers.

The IRS is looking to reduce the tax gap (the difference between taxes owed and taxes paid). Therefore, the proper classification of employees (and the imposition of additional payroll taxes and penalties) has become a priority issue for the IRS. Don't get caught in their sights. Make sure that your workers are classified correctly. To discuss worker classification within your business, give Craft, Noble & Company's office a call.

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## MILEAGE RATE AND MINIMUM WAGE INCREASE

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### Mileage Rate

With gas prices soaring, the IRS has responded to numerous requests to increase the standard mileage deduction for business driving.

For the final six months of 2008, the standard mileage rate for business driving has been raised to 58.5¢ per mile. The rate for business miles driven from January 1, 2008, through June 30, 2008, remains at 50.5¢ per mile. (The IRS also increased the deductible rate for medical and moving mileage for the last six months of 2008 to 27¢ a mile. For the first six months of 2008, the rate is 19¢ a mile.)

The IRS adjusts the standard mileage rates for business driving annually, but when driving costs rise dramatically during the year, the Service may consider a midyear change. Rates are based on annual fixed and variable costs of operating a car.

A study by the National Federation of Independent Businesses determined that the cost of energy is ranked as the second most troubling problem for small businesses this year.

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### Minimum Wage

The federal minimum wage increased from \$5.85 an hour to \$6.55 an hour, effective July 24, 2008.

This increase is part of a three-stage increase in the federal minimum wage mandated by the Small Business and Work Opportunity Act of 2007. The first increase took place July 24, 2007, raising the then-current rate of \$5.15 an hour to \$5.85. This was the first increase in the minimum wage since 1997.

The next and final step in the minimum wage increase takes place next year when, effective July 24, 2009, the federal minimum wage will go to \$7.25.

Note that many states already have a minimum wage higher than the federal required rate. Please contact Craft, Noble & Company if we can assist you further. We are here to help.

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## DON'T PUT YOUR 401(K) ON AUTOMATIC PILOT

Automatically enrolling new employees into a company's 401(k) plan was made easier by the Pension Protection Act of 2006. A survey of 5,490 plans by Plansponsor, a Connecticut research firm, revealed that about 25% of companies now have automatic enrollment in their plans.

The good news about automatic enrollment is that it gets workers to start saving. The not-so-good news is that the rate of saving is often below the rate these employees would have chosen on their own. Trusting to automatic savings to build an adequate retirement fund is unwise; employees need to realize that they must take responsibility for themselves and increase savings levels if necessary.