



Welcome to Craft, Noble and Company's e-news update – your quarterly brief on the most up-to-date tax talk and advice. As the end of the year approaches it is important to estimate your 2009 tax liability. Doing so will allow us to help minimize your 2009 tax liability and help review what options may be available to you and your business. Whether you are seeking tax preparation assistance, business planning or other financial services turn to Craft, Noble and Company for expert advice and service. We look forward to working with you in 2010.

A NEW CAR FOR CHRISTMAS?

The Recovery Act of 2009 has an included tax break which may provide a benefit to you. If you plan to buy a new truck, car, motorcycle, or motor home before year end keep these details in mind:

- You can deduct state and local sales taxes paid on up to \$49,500 of the purchase price of a qualifying vehicle for purchases after February 16, 2009 and before January 1, 2010
- The deduction can be claimed on your 2009 tax return regardless of whether or not you itemize other deductions.
- The deduction phases out for single taxpayers with income between \$125,000 and \$135,000. For joint filers, the phase-out range is \$250,000 to \$260,000.

If you have any concerns regarding this issue please call Craft, Noble & Company.

ANSWERS REGARDING MORTGAGE DEBT RELIEF

After the housing market collapse, many people are attempting to understand the tax implications involved with their home mortgages. The following Q&A should clarify some of the more frequent concerns.

- **What relief does the recent law provide?** Generally, it excludes tax on cancellation-of-debt income realized from a foreclosure, short sale, or other mortgage restructuring. This tax break only applies to debt used to buy, build, or improve your principal residence. It isn't available for vacation homes or investment property.
- **Is there a limit?** Yes. The exclusion can cover the tax due on up to \$2 million of forgiven debt (\$1 million if you're married and file separate tax returns). Any excess is taxable under the general rules.
- **How does the exclusion affect your basis in the home?** You must reduce your basis (the amount used to determine taxable gain or loss from a home sale) by the amount of cancelled debt excluded from taxable income. For example, if a loan restructuring results in cancellation of \$50,000 of debt on a home with a basis of \$450,000, your basis is reduced to \$400,000. This could increase your taxable gain when you sell the home, although the first \$250,000 of gain (\$500,000 for joint filers) may still be sheltered by the home sale exclusion.
- **How do I know how much debt is excluded?** Your lender will send you Form 1099-C (Cancellation of Debt) showing the amount of debt forgiven and the fair market value of property given up through foreclosure. It also sends the IRS a copy of the form. The IRS encourages homeowners to check this information carefully.
- **What is a short sale?** Instead of foreclosing on a home, a lender may allow you to sell it for less than the mortgage amount and take the proceeds in full satisfaction of the debt. For instance, let's say you still have a mortgage of \$250,000 on your home, but the home's value has dropped to \$225,000. Assuming the bank agrees to a short sale and



you incur \$15,000 in selling expenses, you turn over the remaining \$210,000 to the bank. The \$40,000 difference, which will be reported on Form 1099-C, qualifies for the tax exclusion on cancellation-of-debt income.

- **Is this tax relief permanent?** No. Initially, the tax exclusion only applied to debt forgiven in 2007, 2008, or 2009. But the economic stimulus law passed last year — the ***Emergency Economic Stabilization Act of 2008*** — extended this tax break for three years through 2012.

This is just a brief overview of the new mortgage debt relief available to homeowners. Call Craft, Noble & Company if you have questions pertaining to your situation.

BE YOUR OWN BOSS BUT KNOW YOUR BUSINESS

Throughout America, in rural towns and large cities, companies come and go with clockwork frequency. Yesterday's bicycle shop is today's bakery. It's no wonder. Creating a company that can survive even a few years is not an easy feat. However, answering a few simple questions can increase your chance of success.

1. **Is there a market for my product or service?** Testing your target market is simple and can save a lot of valuable time and money when it comes to creating your business. This test can be simple as a focus group and having a basic understanding of your neighborhood demographic.
2. **How much money will I need?** For the first planned year of business, review all sales revenue and expense forecasts. The basic rule is, the business should have enough cash to survive without receiving money from outside sources. This includes banks, friends, and even relatives.
3. **Do I have a business plan?** A detailed business plan will help you think through all aspects of your company's start-up phase. It defines what you're selling. It lays out marketing strategies, start-up capital requirements, overhead expenses, expected

cash flow, and plans for business growth. It should include a summary of your experience in that product or service.

4. **Are my books in order?** Maintaining detailed records of your revenues and expenses, including payroll, is essential in determining a company's monthly profitability. Contact us at Craft, Noble and Company and let us help you perform this important task.
5. **How should the business be structured?** Sole proprietors are liable for the business debts, taxes, and legal costs of their companies. You might want to consider setting up your firm as a corporation or limited liability company. Analyze this important decision at the outset so that you understand your options.
6. **Should I set up a website?** Whether or not you plan to use the Internet for sales, you can't ignore the potential value of an online presence. It might create a higher degree of visibility for your small business and enable you to advertise your main selling points to the general public. A website also gives the opportunity to promote your activities or offer special incentives.

Starting a new business can be a daunting task. For guidance in getting off to a good start, give us a call.

PROTECT YOURSELF FROM FRAUD

Credit card fraud and identity theft seem to be afflicting individuals and companies alike throughout the world. Here are few easy steps to help protect you.

- **Photocopy credit cards** and other important documents that you keep in your wallet. Use the copies to notify your bank and credit card companies if your wallet is lost or stolen. Then cancel the cards and put a hold on all charges.
- **Always review your bank and credit card statements** to make sure the charges are legitimate. Notify issuers immediately of any unauthorized entries. Then consider changing your account number or canceling the card.

- **Shred statements or receipts** before disposing of them.
- **Never give personal information to an unsolicited caller.** Scammers can falsify names and numbers that appear on your caller ID. Look up the company's number to make sure it's legitimate; then call back if you wish.
- **Don't open e-mail attachments from unknown parties,** and don't respond to unsolicited e-mail requests for personal information.
- **Avoid writing down your PIN or passwords,** and shield the numbers when using ATMs or similar machines. Even if nobody is nearby, thieves may have affixed hidden cameras.
- **Protect your computer with a firewall,** anti-virus software, and an anti-spyware program and update them.
- **The IRS does not use e-mail to contact you.** Do not open or respond to such e-mails.

FACTS ON THE WORKFORCE

Here are some new facts regarding the job front.

- Soon women will make up the majority of the workforce for the first time in history. In June 2009 women held 49.83% of the country's 132 million jobs.
- The Labor Department reports that in the first five months of 2009, 5.3% or some 7.6 million workers held more than one job.
- How old is the workforce? By 2016, 22.7% of the workforce will be aged 55 and older according to the Pew Research Center.
- The Bureau of Labor Statistics reports that between 2000 and 2008, the number of workers aged 65 to 69 rose 25%. Workers in the 70 to 74 age group increased 32%, those in the 75 to 79 age group increased 38%, and those 80 and older increased 67%. It's clear that as people live longer, their attitudes toward retirement are changing.