Welcome to Craft, Noble and Company's e-news update -- your quarterly brief on the most up-to-date tax talk and advice. Tax season is quickly approaching and it is important to be aware of changes that have happened in the tax world. 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 2013.

**“BUNCHING” DEDUCTIONS TO CUT TAXES**

Getting the most benefit from tax deductions requires multi-year planning as well as consideration of the alternative minimum tax (AMT).

The multi-year part involves "bunching" your expenses. That's a strategy where you decide to accelerate or delay payments between different years for itemized deductions such as state income taxes, routine health care, and charitable contributions. You calculate the tax savings for each year and choose the most advantageous time to pay the expense and claim the deduction.

The AMT adds another step to the calculation because it eliminates certain deductions. For instance, state and local income taxes are not deductible when figuring AMT liability.

What if you usually claim the standard deduction? You'll still want to take a look at your total itemized deductions in case you're close enough to the tipping point to consider accelerating some expenses into 2012. In addition, there are circumstances where itemizing makes sense even when the total is lower than your standard deduction. Your exposure to the AMT can come into play here, too, since the standard deduction is not allowed in the AMT calculation.

For 2012, the regular standard deduction when you're married filing jointly is $11,900 ($5,950 for singles). The last few months of the year is a good time to review your situation and consider opportunities for bunching deductions. Planning could help you salvage itemized deductions that would otherwise be lost. Contact Craft, Noble & Company for more information about this tax-cutting strategy.

**YOUR BUSINESS AND ITS FINANCIAL STATEMENTS**

To accountants, the relationship of financial statements (balance sheet and income statement) is very specific. To the average business owner trying to read those statements, much of it is confusing at the very best.

One will get better, more useful information from the statements when the relationship between them is understood. Maybe this comparison will help you see the connection. The balance sheet (the listing of your assets and debts) is like a still photograph. The income statement is a moving picture. The balance sheet will state "as of" a date; the income statement will state "for the period ended." Look at this nonaccounting example.

***Example.*** On the last day of the month, we take a picture of you sitting in your office chair. Then, at the end of next month, the still photo shows you sitting across the room. This is the balance sheet (your position statement). We know for a fact that you have moved from position one to position two. What we don’t know is how you got there. Did you just walk straight across the room, or did you travel around the building or maybe even across town before stopping there? The income statement is the moving picture that gives us the details of how and where you traveled from position one to position two.

The numbers on the balance sheet can all be verified for a given date. You can reconcile the bank balance and verify the accounts receivable to the penny. You can confirm your liabilities with your creditors. When you subtract all the debt from the total assets, you get your equity. If your equity has increased $10,000 for the month, what did it take to produce it? Were sales $30,000 and expenses $20,000, leaving $10,000 profit? Or were sales $100,000 with expenses of $90,000? This story is told in the income statement.

By comparing the income statements for several periods and analyzing the various income and expense accounts, you can determine if and where changes need to be made. The more you know about why your company makes or loses money, the better armed you are to make changes. If you would like assistance in using your financial statements or other business reports, give our office a call.

**REQUIRED MINIMUM DISTRIBUTION DEADLINE APPROACHING**

Reminder: Required minimum distributions (RMDs) must be taken by December 31.

RMDs are mandatory withdrawals from certain retirement accounts, generally after you reach age 70½.

You must take a withdrawal by December 31 if the rules apply to you — and there's a hefty penalty for procrastinating*. Missing the deadline could cost you 50%* of the amount you were required to withdraw.

How much do you have to take out of your retirement account? That depends on the balance in your account (or accounts) on December 31, 2011, and your age on your birthday in 2012. Your spouse's age can also affect how much you're required to withdraw in situations when your spouse is the sole beneficiary of the account and is more than ten years younger than you are.

You can always withdraw more than the required amount. Just remember each year's RMD stands on its own, and any excess you take this year has no effect on your 2013 RMD.

One other RMD quirk: If you're thinking of converting to a Roth by the end of December, you'll need to take your RMD from your retirement account first.

Call Craft, Noble and Company now, to make sure you're in compliance with the RMD rules. We're here to help.