“What makes our members successful,” says Blake, “is how well they are able to work together. If somebody goes to the wrong member for their needs, that member is able to point them to the correct manufacturer. It sets TMA apart from the rest of the industry and makes our members leaders. TMA thrives because its members thrive, and as the industry has evolved we’ve evolved along with it.” Blake notes that one of the major themes of the American economy since the 2008 crisis has been the “skills gap,” which is the unfortunate reality that many unemployed manufacturing workers have been unable to find work due to a lack of skills in new technology. TMA has been working to help its members bridge that gap by providing its long-running Training and Related Theory program and a three-year Manufacturing Apprenticeship program. TMA has also recently added a facility that provides hands-on training in addition to its textbook-based education.

TMA’s continuing growth has brought with it an obvious need to manage new and more complex financial structures, and to that end the association has employed KRD CPAs as an additional resource. On a basic level, KRD helps TMA as an auditor, keeping track of the large volume of membership dues, but they also have worked with Blake to help create a cash reserve policy, and navigate the new processes of inter-entity transactions between the TMA’s association and brokerage bodies. “You want an auditor who validates the work we’re doing internally,” Blake says. “The overall value that KRD brings to us is in its evaluation; helping us put together profit and loss statements that are accurate translations of the finances.” Blake cited the specific efforts of KRD associates Chad Porter and Jonathan Gozdal, who helped revise the manner in which their financials were being presented.

Future goals for TMA include continuing growth of the education programming and, as always, listening to and investing in TMA members to keep them at the forefront of the industry. The association will also be pushing forth more advocacies at the level of state government, and also making strides to develop new memberships with companies beyond the Chicago area, such as downstate and in Rockford. KRD looks forward to supporting TMA’s financial operations as these plans come to fruition.

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December 31, 2012, will be a very important date in the lives of taxpayers, because that is the date that many tax-saving provisions are set to expire. Congress has extended many of these provisions on a year-by-year basis. However, as it stands now, many tax-cutting provisions have already expired or will expire. Here are a few of the more important ones that could apply to you.

✓ **Employee’s share of social security taxes.** The employee’s share of FICA taxes will return to 6.2% after 2012, up from 4.2%.
✓ **Income tax rates.** The 10% tax rate bracket will be eliminated, and the top rate will be 39.6% (up from 35%).
✓ **Long-term capital gains.** The maximum tax on most long-term capital gains will increase from the current level of 15% to 20%. For some low-income taxpayers, the current long-term capital gains rate can be zero. That provision will also be eliminated. Additionally, qualified dividends will no longer be taxed at the long-term gains rates (including the zero rate for lower-income taxpayers). Instead, dividends will be taxed at ordinary income rates as high as 39.6%.
✓ **Child tax credit.** The current credit, which is $1,000 for a qualifying child, will be reduced to $500.
✓ **Student loan interest deduction.** This deduction will be limited to only the first 60 months that interest payments are made, and there will be a much lower income limit where this deduction can be claimed at all.
✓ **Section 179 expensing deductions.** The first-year expensing limit and qualifying property limit will be reduced to $25,000 and $200,000 (down from the 2012 levels of $139,000 and $560,000).
✓ **Itemized deductions.** Itemized deductions are currently not reduced by the size of your adjusted gross income. That provision will expire, and itemized deductions will again be reduced for higher bracket taxpayers.
✓ **Estate and gift taxes.** The estate and gift tax rules will revert to those in effect before 2001. That means the maximum estate and gift tax rate will increase to 55% (up from 35%), and the maximum amount of assets to be left to beneficiaries tax-free will be reduced to $1,000,000 (down from the current level of $5,120,000).

What can you do to manage your tax bill for 2012 and 2013? You should monitor the tax landscape as Congress returns to Washington. Some of the things that you’ll want to examine include the following:

✓ Should you accelerate income into 2012 in order to take advantage of the current tax rates that may be lower than future rates?
✓ Should you sell assets that you have held long-term (such as stocks, mutual funds, and property) to take advantage of the expected lower capital gains tax rates in 2012?
✓ Should you sell dividend-paying stocks since the tax benefit for holding such stock may be reduced?

Contact us if you would like to review these and other tax issues before year-end.

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**International Corner**

**Foreign Sales Growing? Consider an IC-DISC**

In our growing global economy, companies are exporting more goods and services. If your company earns an annual gross margin of $200,000 or more from exporting products manufactured in the United States or your firm provides engineering or architectural services on foreign projects, you should consider forming an Interest-Charge Domestic International Sales Corporation (IC-DISC).

Some of the benefits include:

- Defers income to the date it is distributed to the shareholders
- Dividends are taxed at the qualified dividend rate versus the ordinary dividend income rate
- Permits preferential pricing on export sales
- Creates a non-cash compensation alternative to key management personnel
- Can be used as an estate planning tool

If your company’s foreign sales are growing, call us to discuss your tax planning needs.
FOCUS on your STRENGTHS to Improve Profits

The conventional response to today’s lackluster economy is to focus on cutting business costs. That’s good advice up to a point, but eventually paring down becomes counter-productive. Once you’re done, you’re still stalled in the same economic doldrums.

Rather than restricting your strategy to cost-cutting, try playing to your strengths. What product, service, or other customer benefit do you offer that goes beyond the norm? Think about ways to build upon and expand that benefit, and then communicate it to current and prospective customers. If nothing you offer is out of the ordinary, improve your services or offer a new service that nobody else provides.

What makes you stand out? Look at your firm through your customers’ eyes. Why do they do business with you instead of your competitors? Is it the exceptional quality of your products or services, lower prices, peripheral services (such as delivery), your helpful and knowledgeable staff, a convenient location, or some combination of these reasons? Even if you think you already know the answer, double check with your customers. Ask what they like about doing business with you and what additional features or changes would enhance the relationship.

Play to your strengths. Once you’ve identified your customers’ wishes and preferences, focus on your strengths. Discontinue products or services that are indistinguishable from everyone else’s or that generate more problems than profits. Instead, emphasize or expand your existing areas of excellence. Promote activities that enhance productivity and/or reduce bureaucracy.

Get a Head Start on your 1099 Reporting

January is always a busy month for companies. You’re trying to get business off to a good start in the new year, you’re trying to close the books on last year, and there’s 1099 reporting to complete by month-end.

There are several variations of the information returns known as Form 1099. Most are specific to certain industries. But nearly every company, large or small, has to issue Form 1099-MISC. And you have to send it to recipients by January 31, 2013.

In many businesses, it becomes a late-January panic. There’s a scramble to find out who needs to receive the form, their current address, and their taxpayer ID number. But if you’re smart, you can get a head start on that before year-end.

You use Form 1099-MISC to report miscellaneous payments to non-employees. This includes fees for services paid to independent contractors, such as consultants, Web designers, accountants, lawyers, and others. If you pay fees to your outside directors, they should be on the list. Generally, you don’t report fees paid to corporations, but there are exceptions. For example, you must report payments to all law firms, incorporated or not.

You obviously won’t know the dollar amount to report until after year-end. But you can start to assemble the list of recipients, verify whether they’re a corporation, and most importantly obtain their taxpayer ID information. Ideally you would have a process to collect this information when a new contract is signed. But if not, December is a perfect time to do the groundwork. Then you might have one less crash project at the end of January.

Contact our office if you need more information on your 1099 reporting requirements.
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Calendar of events

**La Rabida Children’s Hospital**
Our ongoing toy drive.
*It is never to late or early to donate toys.*
www.larabida.org

**Children’s Oncology Service’s Inc. Winter Camp**
**December 27-31, 2012**
www.onestepcamp.org

**Children’s Oncology Service’s Inc. Disability Ski Trip**
**February 9-16, 2013**
www.onestepcamp.org

**Children’s Oncology Service’s Inc. Texas Hold’em**
**February 7, 2013**
www.onestepcamp.org

**Alexander Graham Bell Montessori School Annual Gala**
**February 17, 2013**
www.agbms.org

**Tooling and Manufacturing Association Annual Meeting**
**March 23, 2013**
www.tmanet.com

**Hispanic American Construction Industry Association Annual Banquet**
**March 28, 2013**
www.haciaworks.org

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**IRS gives Tax Relief to HURRICANE VICTIMS**

Victims of Hurricane Sandy may be entitled to some tax relief, according to an announcement by the IRS. Certain tax filing and payment deadlines from late October on will be extended until February 1, 2013. This includes the final 2012 estimated tax payment normally due January 15, 2013 and payroll and excise taxes normally due October 31, 2012, and January 31, 2013.

The relief applies to taxpayers in the disaster area and those outside the area whose records and/or tax professional are located in the disaster area. Workers assisting in hurricane relief activities conducted by recognized government or philanthropic organizations may also qualify. For more information, contact our office, call IRS toll-free disaster assistance at 1-866-562-5227, or visit www.disasterassistance.gov.

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**IRS issues Consumer Fraud ALERT**

The IRS is warning people to be aware of fraud connected with Hurricane Sandy. As is usually the case following a natural disaster, scam artists are impersonating charities to get money or financial information from those wanting to help victims of the storm. The scammers contact people by phone, social media, e-mail, or in person. To avoid falling for a scam, donate only to recognized charities, and avoid those with names that are similar to real charities. Do not give personal information to those seeking contributions, and don’t give cash donations. Contributions by check or credit card provide greater security as well as a record for tax purposes.

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**From all of the staff at KRD…**

Season’s Greetings and best wishes for a Happy New Year!