

The Update is published for our clients and friends. It is designed to provide accurate information with respect to the subject covered. Before any action is taken based upon this information, it is essential that competent, individual, professional advice be obtained.

The Update
Sannerud, Savarese & Associates, P.A.
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Ham Lake, MN 55304

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The Update

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Sannerud, Savarese & Associates, P.A. – “Certified Public Accountants”
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From Sue's Desk

Last May, the MN legislature passed a tax bill that brings the state's income tax code into conformity with many federal tax changes that were enacted in the past two years. The MN Department of Revenue has started adjusting the 74,000 tax returns and has a goal of contacting all affected taxpayers by the summer of 2020.

If you are one of the taxpayers affected by these changes, you will receive a letter indicating that the changes were due to legislative action. Based on the class I attended before Thanksgiving, it would be in your best interest to have our office review those letters for accuracy prior to the possible payment of any additional taxes.

Wishing you and your family a very Blessed Christmas and Holiday Season.

In Lieu of our Christmas gift exchange with our coworkers this year, we opted to combine our efforts and donate to a worthy cause. This year we donated to Family Promise in Anoka County. Family Promise in Anoka County (FPAC) works with families experiencing homelessness to tailor individualized plans to help them take the necessary steps towards lasting independence. You can find more information at www.familypromiseanoka.org



It's Tax Organizer Time Again!

We will be mailing out organizers around the first of the year so make sure to keep an eye out for it. The organizer is meant to help you prepare for your tax appointment and will list your tax appointment time on the front page.

Please call our office at 763-434-5929 if you need to reschedule your appointment. Our organizer can also be downloaded at www.sannerudsavarese.com.

To make the most out of your tax appointment time, if possible, please make other arrangements for your children. Also, remember to bring all supporting documents along with your tax organizer to your appointment.

If you don't have all your tax documents in time for your appointment, keep your appointment anyway. You can send or email missing documents later.

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Tax Season Hours

Starting January 27 and continuing thru April 15, 2020 our Office Hours will be:

Monday, Tuesday, Thursday: 8:00am- 8:00pm
 Wednesday and Friday: 8:00am-4:30pm
 Saturdays: 8:00am-12:00 Noon
 ~ Or by Appointment ~

Visit our website for the latest tax news and information and to check your tax refund status at:
www.sannerudsavarese.com

Thank you for your business!

From All of Us At Sannerud Savarese & Associates, P.A.

Susan E. Savarese, Managing Partner.....Certified Public Accountant
 Betsy O'Berry, Tax Manager.....Certified Public Accountant
 Terry Adank.....Certified Public Accountant, CGMA
 Pauline Peterson.....Firm Administrator
 Paulette Hynes.....Enrolled Agent
 Shelly Martin.....Enrolled Agent
 Michelle Ronning.....Tax Preparer
 Barb Sanders.....Accounting Associate
 Amy Krekelberg.....Receptionist
 Mary Lou Michels.....Support Services
 Betty Sannerud.....Support Services
 A.M. Sannerud.....Founder

STAFF

The staff has attended the following classes:

- Sue Savarese • Ethics & MN Update (MAPA) • Gear up 1040 (MAPA)
- Betsy O'Berry • 65th Annual MNCPA Tax Conference (MNCPA)
- Shelly Martin • 1040 Tax In-Depth (Tax Speaker) • Data & Online Security (F&M Bank)
- Paulette Hynes • 1040 Tax In-Depth (Tax Speaker) • Nuts and Bolts of Cryptocurrency Taxation (MNCPA)
- Shelly Martin • 1040 Tax In-Depth (Tax Speaker) • Ethics Continuing Education (The Tax Book)
- Terry Adank • 1040 Tax In-Depth (Tax Speaker) • Michelle Ronning • 77th Annual Income Tax Course (U of M)
- Sue Savarese - Presented a "Clergy Taxation" class to Interim Clergy of the Minneapolis Area Synod of the ELCA

Introducing our newest employee...

The staff at Sannerud, Savarese & Associates, P.A. welcomes Barb Sanders. Barb has over 6 years of experience in Office Management and Customer Service. Barb also has many years of volunteering experience from 10 years on the Coon Rapids Youth Hockey Board, manager for many of her children's sports teams and currently on the board of NWPHS. Barb lives in Andover with her husband Carter, son Hunter who is a junior in college and daughter Grace, a sophomore in high school. When not working, Barb likes to spend time with her family, gardening and being involved with children's activities. We are excited to have Barb join our staff at Sannerud, Savarese & Associates, P.A.

EMPLOYMENT NEWS



New Salary Limits for Overtime Exemptions

On Sept. 24, 2019, the U.S. Department of Labor (DOL) announced a new final rule that updates the salary thresholds that some individuals must meet in order to qualify for a minimum wage and overtime exemption under the Federal Fair Labor Standards Act (FLSA). The final rule becomes effective on Jan. 1, 2020.

2019 Overtime Final Rule

The final rule affects the exemptions for executive, administrative and professional (EAP) employees, highly compensated employees (HCEs), employees in the motion picture industry and individuals who work in various U.S. territories. The final rule's salary levels differ from both the 2016 and 2019 proposed levels.

For 2020, the final rule EAP and HCE salary exemptions are as follows:

- Standard salary level: \$35,568 per year (\$684 per week)
- HCEs: \$107,432 per year

The DOL intends to update the standard salary and HCE total annual compensation levels more regularly in the future through notice-and comment rulemaking.

Employer Action Steps

To prepare for the final rules, Jan. 1, 2020 effective date, employers should:

- Determine which currently exempt employees have salaries below the new threshold.
- Decide whether to increase salaries for these individuals or reclassify them as nonexempt employees.

Workplace Posters – Download for FREE!

Minnesota law requires employers to display five state-mandated posters in a location where employees can easily see them. The posters are available at NO COST and need to be updated when Minnesota laws change. The posters come in English, Hmong, Somali and Spanish.

Go online to the MN Department of Labor and Industry (www.doli.state.mn.us/about-department/workplace-posters) to download and print the five required posters that will fit on standard letter-sized paper. Or place an order online for free posters by mail. Either way, don't order them through any "company" that charges a fee!

PERSONAL TAX NEWS

"But in this world nothing can be said to be certain, except death and taxes."

- Benjamin Franklin

No one wants to think about death. If you take some time to plan for it, you may spare your loved ones the added stress of sorting through your financial affairs during an already difficult time. Here are a few suggestions of what you can do now to help your loved ones when you are gone.

1. Prepare a will.
2. Select a durable health-care Power of Attorney and have a health care directive.
3. Give someone you trust a key to your home or apartment. You don't want a family member to have to go to court to gain legal access to your home.
4. Put together a list of all bank accounts and safe deposit boxes. You may want to authorize a "Paid on Death" directive for each account. This will give your beneficiaries the ability to pay your final bills and funeral costs without incurring a personal financial burden.
5. Put together a list of all brokerage accounts, stock certificates and savings bonds. You may want to authorize a "Transfer on Death" on your brokerage accounts to transfer the assets directly to your beneficiaries.
6. Put together a list of all retirement, pension, annuity and medical savings accounts. Make sure you have proper beneficiaries listed on each one.
7. Put together a list of all your usernames and passwords. Remember to include your social media accounts.
8. Put the above information in a safe place. Include the following as well:
 - a. Copy of your life insurance policy
 - b. Property deeds and vehicle titles
 - c. Tax returns – Your beneficiaries may need to complete a final Form 1040 and/or Forms 1041, 706 and 709 after you pass away. Having access to prior year tax returns can be helpful.

NEW FOR 2019

On May 24, 2019, the Minnesota Legislature passed a bill that conforms many of Minnesota's tax laws with several federal tax law changes including the Tax Cuts and Jobs Act (TCJA). Here is a summary of the notable changes:

For Individuals:

- Changes the starting point for determining individual income taxes from federal taxable income (FTI) to federal adjusted gross income (FAGI).
- The standard deduction has increased to match the federal.
- Allows for a dependent exemption deduction of \$4,250 per dependent, but eliminates the personal exemption.
- Minnesota itemized deductions are allowed if they exceed the Minnesota standard deduction. The itemized deductions follow the federal rules and Minnesota allows an itemized deduction for unreimbursed employee expenses which exceed 2% of adjusted gross income.
- Expanded the eligibility for the Working Family Credit.

PERSONAL TAX NEWS

Talk to us before you do anything!

When we meet with you to prepare your taxes, we often ask about the past year and your future plans. We ask because we care about you, and also because we may know some things to consider when you are making financial decisions. We want all our clients to make tax-smart decisions, and often that means we need to know what you are planning to do so that we can advise you of the best way to do it.

We do charge for our time and advice, but it can be money well-spent if it keeps tax money in your pocket.

Please call us if you are making a major financial decision like:

- Starting a business
- Selling a business
- Buying a house
- Buying rental property
- Applying for Social Security
- Buying a cabin or hunting land
- Preparing to retire

We are constantly attending continuing professional education courses that help us give you good advice about how to structure financial decisions in the most tax-efficient way.

And it is difficult to help if you wait until after the fact. Let us help you keep your money. Call us before you do anything!

Reporting changes for Residential Rental Property Owners

When completing the MN Certificate of Rent Paid (CRP) for 2019, Married couples are now considered one person instead of two. The checkbox has been removed and each spouse should receive their own CRP.

Starting in January 2020, businesses (landlords or management agents) with e-Services accounts can generate CRP's electronically through MN Revenue's e-Services. Generating and submitting CRP's in e-Services is optional for rents paid during 2019.



Resource for Landlords

If you have residential rental property and are looking for resources including Minnesota-specific forms like leases, background check applications and rental check-in and check-out forms, you may want to contact the Minnesota Multi-Housing Association. They have a great rental forms library and offer helpful classes for landlords and apartment managers. Their contact information is:

Minnesota Multi Housing Association (MHA)
1600 W 82nd Street, Suite 110 • Bloomington, MN 55431
Phone: (952) 854-8500 • Fax: (952) 854-3810

EMPLOYMENT NEWS

Employer Credit for Paid Family and Medical Leave

Eligible employers who provided paid family and medical leave to their employees in 2019 may qualify for a business credit.



To qualify, an employer must have a written policy that provides:

- At least two weeks of paid family and medical leave annually to full-time employees, prorated for part-time employees.
- Family and medical leave pay that is at least 50% of employee's wages.

Other facts:

- For tax year 2018 and 2019, the employee must earn \$72,000 or less to qualify.
- The credit ranges from 12.5% to 25% of wages paid for qualifying employees.
- Some employers are eligible to claim the credit retroactively.

The credit is available for qualified wages paid in tax years beginning after Dec. 31, 2017, and before Jan. 1, 2020. Generally, tax year 2019 is the last year most employers are eligible to claim the credit. Please let your tax preparer know if you think you are eligible for this credit.



Minnesota Minimum-Wage Rates Adjusted 2020

Minnesota's minimum-wage rates will be adjusted for inflation beginning Jan 1, 2020, to \$10.00 an hour for large employers and \$8.15 an hour for small employer state minimum wages.

- Large employers (annual gross revenues are \$500,000 or more) must pay at least \$10.00 an hour.
- Small employers (annual gross revenues are less than \$500,000) must pay at least \$8.15 an hour.
- The training wage rate, \$8.15 an hour, may be paid to employees younger than 20 years of age or the first 90 consecutive days of employment.
- The youth wage rate, \$8.15 an hour, may be paid to employees younger than 18 years of age.

To determine whether you are a small or large employer, view the Employer Fact Sheet "Business size and minimum wage" at www.doli.state.mn.us

Tip Credit

- No employer may take a **tip credit** against minimum wage in Minnesota.
- An employee must be paid at least the minimum wage per hour, plus any tips the employee might earn.

---taken from MN Department of Labor and Industry's news release, August 21, 2019.

BUSINESS TAX UPDATE

NEW FOR 2019

On May 24, 2019, the Minnesota Legislature passed a bill that conforms many of Minnesota's tax laws with several federal tax law changes including the Tax Cuts and Jobs Act (TCJA). Here is a summary of the notable changes:

For Business:

- Minnesota will continue to require that 80% of certain federal accelerated depreciation (i.e. Section 179, bonus depreciation) be added back to Minnesota taxable income and then deducted pro-ratably over five years.
- The Minnesota corporate NOL deduction is limited to 80% of the corporation's taxable income. Minnesota law does not distinguish between NOL carryovers generated before December 31, 2018.
- The state now follows the federal law regarding the business interest expense limitations.

Good Recordkeeping is just good business

Recordkeeping is an important part of running a small business. In fact, keeping good records helps business owners make sure their business stays successful.

Good Records will help business owners

- Monitor the progress of their business
- Prepare financial statements
- Identify income sources
- Keep track of expenses
- Prepare tax returns and support items reported on tax returns

Here are some things small business owners should remember about recordkeeping:

- Businesses should set up a good accounting software system.
- Businesses should make sure to keep all documents for income, expenses and deductions for your tax returns. You must be able to prove that you are entitled to certain deductions and expenses.
- How long should you keep certain documents? Please visit www.irs.gov/business, click on small businesses or check our website.
- Businesses that keep paper records should keep them in a secure location.
- Businesses that keep electronic records should always have an electronic back up in case of hard drive crashes.



The finest compliment we can receive is a referral from an appreciative client!

SECURITY

DON'T BE SCAMMED!

As we have written before –

Please do not allow yourself to be scammed by criminals working to steal your identity or your money!

The IRS will *never* call you and threaten you with arrest for unpaid taxes.

The Social Security office will never call to verify your identity by asking for your social security number.

Also, watch for phone calls stating that your utilities will be cut off if you do not make an immediate wire transfer or gift card payment.

The US Postal Service Inspector General has educational videos and tips about protecting yourself and your loved ones at: www.uspis.gov/report/victim-help-resources.

www.irs.gov/newsroom - click on "Tax Scams/Consumer Alerts" for more information.



The Identity Protection PIN (IP PIN)

An IP PIN is a six-digit number assigned to eligible taxpayers that helps prevent the misuse of their Social Security number on fraudulent federal income tax returns.

Requesting an IP PIN is strictly voluntary.

Want to Request an IP PIN? You may have received a letter explaining how to request an IP PIN (CP01A Notice). You may also call the IRS at 1-800-908-4490 to have your IP PIN mailed to you, this can take up to 21 days.

To get your IP PIN, you must be eligible. Please visit www.irs.gov, click "File" then "Get an Identity Protection PIN" for more information. A new IP PIN is generated for each filing season and can be retrieved starting in mid-January of each year by logging into the account you create.