



The Update

VOLUME 36 NUMBER 3

WINTER 2021 / 2022

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Sue's Corner

As I attended a two-day 1040 Tax update class in early December, I was reminded that since March of 2020 there have been 7 major Federal tax bills passed! These bills dealt with complex issues such as the Paycheck Protection Program (application and forgiveness), Stimulus Payments, Recovery Rebates, Employee Retention Credits, Taxability of Federal Unemployment Benefits, and the advanced Child Tax Credit just to name a few. In addition, MN passed more retroactive tax law adjustments in July 2021, which extended the tax season well into the fall. These tax bills created retroactive tax law changes which has caused the IRS to fall further and further behind in processing tax notices and refunds. I can only imagine how frustrating it would be to work for the IRS at this time.

With all these changes, I am so thankful for my work family/co-workers! I am thankful for their dedication, thoughtfulness, and the support they extend to each other and our clients. We work as a team to make sure our small business owners and tax clients get all the deductions allowed while complying with reporting requirements to avoid problems in the future.

May you be blessed this holiday season with the gift of quality time with your family and friends!

This Christmas, our team at SSA was blessed to be able to choose two different charities for our holiday donations – Family Promise of Anoka County and Elevate Hope House.

Family Promise is a nationwide non-profit that works with volunteers to provide temporary housing, meals, and services to more than 125,000 family members a year. At Family Promise of Anoka County, they mentor families at risk of experiencing homelessness, teach financial literacy, help family members find jobs and affordable housing, and create programs to meet specific needs in their communities. Cleaning supplies are one of the top needs that families who have recently moved into housing ask for, so our office donated goods such as disinfecting spray, bathroom cleaner, detergent, gloves, and air freshener.

Our second charity, Elevate Hope House, is a non-profit that exists to serve young, single moms in crisis throughout Anoka County. They provide these women with “a safe home and an empowering support system, while each mom learns self-sufficiency and renews, restores, and regains her self-worth through the love of Christ.” This year, Elevate had requests for items such as toys, Pokemon Cards, children’s socks and clothes, gifts cards for food, and passes for movies and family outings.

These charities run year-round, and are always in need of goods, not just during the holiday season. To find out where you can donate, or to see a list of requested items, please visit their websites at www.elevatehopehouse.org and www.familypromiseanoka.org.

Visit our website for the latest tax news and information:
www.sannerudsavarese.com

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Tax Season Hours

Starting January 24th and continuing through April 15th, 2022, our office hours will be:

- Monday, Tuesday, Thursday 8:00 AM - 8:00 PM
- Wednesday & Friday 8:00 AM - 4:30 PM
- Saturday 8:00 AM - 12:00 PM (Noon)

~ Or by Appointment ~

PERSONAL TAX NEWS & INFO

PLEASE GIVE US YOUR CHILDCARE TAX CREDIT LETTER!

If you received an advance childcare tax credit in 2021, you will be receiving Letter 6419 from the IRS in January of 2022 which should recap the payments you have received. Please KEEP this letter and give a copy of it to your tax preparer along with your other tax information.

Bring in Your Yellow Papers!!

As we head into the tax season, we want to remind our clients to please bring in your filled out organizer with your signed Letter of Understanding and checklist – they are the yellow pages in the middle of the organizer. It's ok if you can't fill everything out or if you have questions, just please don't forget these! They are very helpful to our tax preparers and will help ensure your return is prepared accurately and efficiently.

What can I do to get ready to file taxes in 2022?

1. Organized tax records make preparing a complete and accurate tax return easier. They help avoid errors that lead to processing delays that slow refunds. Having all needed documents on hand before taxpayers prepare your return helps them file it completely and accurately. This includes:
 - a. Forms W-2 from employers
 - b. Forms 1099 from banks, issuing agencies and other payers including unemployment compensation, dividends, distributions from a pension, annuity or retirement plan
 - c. Form 1099-K, 1099-MISC, W-2 or other income statement for workers in the gig economy
 - d. Form 1099-INT for interest received
 - e. Other income documents and records of virtual currency transactions
2. Taxpayers should also keep end of year documents including:
 - a. Letter 6419, 2021 Total Advance Child Tax Credit
 - b. Letter 6475, Your 2021 Economic Impact Payment
 - c. Form 1095-A, Health Ins. Marketplace Statement
3. Confirm mailing and email addresses and report name changes to your employer, bank, the USPS, and the Social Security Administration. You can report address changes by completing Form 8822 "Change of Address", and sending it to the IRS.
4. Set up an online account with the IRS – you'll be able to access the latest available information about your federal tax account and get status updates on your refund. (IRS.gov)

1 in 10 Americans has missing money, here's how to claim yours

People lose things all the time, a winter glove, a wallet, a phone, and even money, yes money. 1 in 10 Americans has unclaimed money from missing bank accounts and paychecks, or money they never knew they had.

To check if you have unclaimed money, head to MissingMoney.com or the Minnesota Department of Commerce website and type in your name. If you have missing money, it will show up and the website will tell you how to claim it. "Every state in the country has an unclaimed property program," says Peter Brickwedde, assistant commissioner at the Minnesota Department of Commerce. "Here in Minnesota we average about \$35 to \$40 million a year returned to Minnesotans."

That money can come from a variety of sources; from bank accounts, security deposits, or even unclaimed paychecks that people have lost track of. Brickwedde says companies are legally required to hold onto that money. First, the company must make a concerted effort to reunite the missing money with its owner. If the company is unable to track down the owner, the company is then legally required to hold onto the money for a few years. Brickwedde says the length of time depends on the type of company that is holding the money, and the type of account the money is coming from. "Usually it's a time period of three to seven years," Brickwedde explains.

Once that time period ends, companies are then required to send that money over to the state in which they do business. Here in Minnesota, the Department of Commerce is the governmental entity that keeps track of this money, and the department must hold onto that money indefinitely, or until the owner comes forward to claim it. (Kare 11 News)

Tip: It's well worth it to check for yourself to see if you have missing money, but check for your friends and relatives as well. Some of our staff here at SSA have found unclaimed money for grandparents with missing insurance claims, friends that have moved to a different state, and relatives who have an unclaimed investment they forgot about.

PERSONAL TAX NEWS & INFO

SCAM ALERT: The Social Security Administration will never threaten, scare, or pressure you to take an immediate action.

If you receive a call, text, or email that...

- Threatens to suspend your **Social Security number**, even if they have part or all of your Social Security number
- Warns of **arrest or legal action**
- Demands or requests **immediate payment**
- Requires payment by **gift card, prepaid debit card, internet currency, or by mailing cash**
- Pressures you for **personal information**
- Requests **secrecy**
- Threatens to **seize your bank account**
- Promises to increase your Social Security benefit
- Tries to gain your trust by providing **fake “documentation,” false “evidence,” or the name of a real government official**

... it is a scam!

Do not give scammers money or personal information – Ignore Them!

Protect yourself and others from Social Security-related scams

- **Try to stay calm.** Do not provide anyone with money or personal information when you feel pressured, threatened, or scared.
- **Hang up or ignore it.** If you receive a suspicious call, text, or email, hang up or do not respond. Government employees will not threaten you, demand immediate payment, or try to gain your trust by sending you pictures or documents.
- **Report Social Security-related scams.** If you receive a suspicious call, text, or email that mentions Social Security, ignore it and report it to the SSA Office of the Inspector General (OIG) at [OIG.SSA.org](https://www.oig.ssa.gov). Do not be embarrassed if you shared personal information or suffered a financial loss. (Social Security Administration)



Financial Safety: The often-forgotten piece of disaster preparedness.

After a natural disaster, having access to personal financial, insurance, medical, and other records can help people start the recovery process quickly. Here are a few things taxpayers can do to help protect their financial safety in a disaster situation:

Update emergency plans. A disaster can strike at any time. Personal and business situations are constantly evolving, so taxpayers should review their emergency plans annually.

Create electronic copies of documents. Taxpayers should keep documents in a safe place. This includes bank statements, tax returns and insurance policies. This is especially easy now since many financial institutions provide statements and documents electronically. If original documents are available only on paper, taxpayers can use a scanner and save them on a USB flash drive, CD or in the cloud.

Document valuables. Documenting valuables by taking pictures or videoing them before a disaster strikes makes it easier to claim insurance and tax benefits, if necessary. IRS.gov has a disaster loss workbook that can help taxpayers compile a room-by-room list of belongings.

Understand tax relief is available in disaster situations. Information on Disaster Assistance and Emergency Relief for Individuals and Businesses is available at IRS.gov. Taxpayers should also review the itemized deduction for casualty and theft losses. Net personal casualty and theft losses are deductible only to the extent they're attributable to a federally declared disaster. Claims must include the FEMA code assigned to the disaster. (IRS.gov)

Student Loan Interest

Taxpayers paying qualified education loans may be able to deduct up to \$2,500 of interest on the loans in 2021. There is a phase out that begins for taxpayers with modified adjusted gross income above \$70,000 for single taxpayers and \$140,000 for married filing joint taxpayers.

PERSONAL TAX NEWS & INFO

1099-K Now Required for Transactions over \$600

In an IRS amendment in the American Rescue Plan Act of 2021, payments received from goods and services companies such as eBay, Venmo, PayPal, etc., will now require a 1099-K for transactions beyond \$600. Currently, a 1099-K is only required when a user receives more than \$20,000 in goods and services transactions **and** more than 200 goods and services transactions in a calendar year. Effective January 1, 2022, the new \$600 threshold will be applicable for goods and services sold for profit and considered taxable income. Transactions on these sites that are **NOT** considered taxable include:

- Amounts from selling personal items at a loss
- Amounts sent as a reimbursement
- Amounts sent as a gift

So, for example, if you purchased a chair for \$400 and sold it for \$100, this amount would not be subject to income tax. If you paid your roommate back for rent using Venmo, this would not be a for profit, taxable transaction. This threshold is industry wide for all Third Party Settlement Organizations and does not just apply to Venmo or PayPal. We are hoping to be receiving more guidance from the IRS on determining taxable/non-taxable income on these forms in the coming months.

Note: To remain tax compliant, these companies will now be asking their users to verify their identity with an Employer Identification Number, Individual Tax ID Number, or Social Security Number. (PayPal Newsroom, Thompson Reuters)

Economic Impact Payments and claiming the Recovery Rebate Credit

Individuals who didn't qualify for the third Economic Impact Payment or did not receive the full amount may be eligible for the Recovery Rebate Credit based on their 2021 tax information.

In early 2022, the IRS will send Letter 6475 that contains the total amount of the third Economic Impact Payment and any Plus-Up Payments received. People should keep this and any other IRS letters about their stimulus payments with other tax records. Individuals can also log in to their IRS.gov Online Account to securely access their Economic Impact Payment amounts.

When does my dependent have to file a return?

A dependent must file a return if the dependent has:

1. Earned income only, and the total is more than \$12,500.
2. Unearned income only (i.e., income which is not compensation for services), and the total is more than \$1,100.
3. If the unearned income is greater than \$350 AND the total unearned and earned income is greater than \$12,500. (This may be confusing – here are a few examples)
 - a. If your dependent has unearned income of \$375 and earned income of \$12,000, then $375 + 12,000 = \$12,375$ – they **DO NOT** have to file.
 - b. If your dependent has unearned income of \$375 and earned income of \$12,600, then $375 + 12,600 = \$12,975$ – they **DO** have to file.

New IRS Forms for Gig Economy / Sharing Economies

What is gig work? It is a certain activity you do to earn income, often through an app or website, like Uber, Airbnb, or Doordash. These activities can include:

- Driving a car for booked rides or food deliveries
- Renting out property or part of it
- Running errands or complete tasks
- Selling goods online
- Provide creative or professional services

The IRS is becoming much stricter on this kind of income, and it may soon adapt the \$600 threshold on gig economy the way it has for 1099-Ks with eBay and Venmo. There is a new Gig Economy Tax Center on IRS.gov that will include resources such as:

- Filing requirements
- Quarterly estimated income tax payments
- Paying FICA, Medicare, & self-employment taxes
- Special rules for reporting vacation home rentals (IRS.gov)

Note: Companies like Lyft and Uber will be sending out year-end summaries that include total mileage while you were working. **This mileage summary may only include miles driven with a passenger in the car and may not include the miles driven to each new pickup location – which are also tax-deductible miles!** We strongly recommend that you download an additional app while on your shift to track all miles driven each day so you can get the maximum deductible amount.

CRYPTOCURRENCY

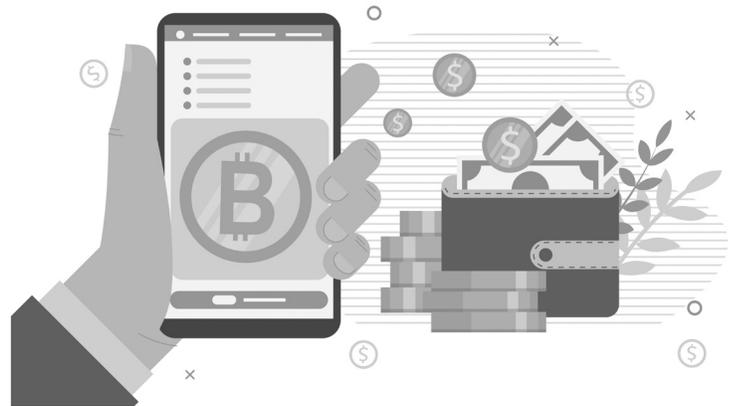
The last two years have seen explosive growth in US consumer interest in crypto-currency transactions, purchases and use. Sadly, very few consumers understand the income tax and foreign reporting obligations that accompany crypto-currency activities, and the incorrect and misleading information floating around on the internet is frightening to us as tax professionals.

Congress and the IRS have both become aggressively involved in monitoring the activities and the failure to correctly report crypto, and on November 15th the President signed even stronger legislation to track the activities. As an example, were you aware that one penalty for failure to report crypto activities can be 50% of the highest balance in the account *each year*? And given enough non-reported income, criminal prosecution for tax evasion. **There is no statute of limitations for income that is not reported on a taxpayers timely filed return.**

We must strongly remind you that crypto activity must be reported to us so that we may appropriately report it on your tax return. Additionally, because of the compliance rules, the reporting is extraordinarily complex, and we will need you to consider using a tax basis tracking software to even start trying to prepare your return. Call or email us for a recommendation.

Here are the 7 activities that require tax return reporting *in addition to just reporting the existence of the account. For example, if you use a crypto currency to buy a cup of coffee, we must report that transaction individually on your return!*

1. Selling (Converting) crypto to US Dollars
2. Trading 1 crypto for another
3. Spending crypto directly for goods or services
4. Mining crypto from your own computers
5. Staking or lending crypto and receiving payment in crypto or dollars
6. Receiving Airdrop crypto
7. Getting paid in crypto



In summary, this year we are going to remind you in our organizers, interviews and engagement

letters that these actions must be disclosed so that we may report them and have you avoid penalties.

NOTE: In 2014, the IRS issued Notice 2014-21, which deals with transactions involving virtual currency. Virtual currencies include digital and cryptocurrencies such as Bitcoin, Ripple, Litecoin, etc. The Notice made clear that virtual currencies are to be treated as property, not as foreign currency, under the income tax code. Thus, all sales, exchanges, redemptions, and transactions involving virtual currencies are taxable. The IRS has reason to believe that taxpayers have not been reporting their virtual currency transactions as transactions on their income tax returns.

Starting in 2015, the IRS issued John Doe summons to Coinbase, a US based virtual currency wallet. Coinbase has turned over the information on all US customers who had more than \$20,000 in transactions for the years 2013, 2014, and 2015. The IRS has used that information to issue letters to Coinbase customers, which include language regarding the Fraud Penalty and Criminal Prosecution.

If you have ever purchased, held, acquired, gifted, sold, traded, or transacted in any way with virtual currency, we are recommending that you immediately:

- Download into an Excel spreadsheet ALL transactions from every exchange that you have used to hold, receive, or trade your virtual currency
- Contact this office to determine your exposure to penalty, interest, and tax

BUSINESS AND TAX NEWS

COVID-19 Qualified Disaster Relief Payments

Section 139 of the IRS Code excludes from a taxpayer's gross income certain payments by employers to employees to reimburse or pay them for expenses related to a qualified disaster. The 2020 disaster determination is still in place and allows employers to reimburse their employees for costs incurred due to covid related expenses, such as masks, PPE, testing, and vaccinations. In addition, employers can pay for other disaster related expenses, such as the increased costs due to economic shortages, i.e. fuel and food. An example of a possible email to employees to explain this relief payment can be seen below, however please contact your tax preparer to discuss your specific situation.

"In March of 2020, President Trump declared a national disaster as a result of the COVID-19 pandemic. The Presidentially declared disaster is still in effect today. You have all experienced and are continuing to experience incredibly increased housing, food and gas costs, as well as schooling issues. We have decided to try to help in some small way. One of the provisions of the IRS is a rule allowing an employer to make a tax-free disaster relief payment to employees. This morning I have written each family a \$XXXX check that will be lying on your desk as our attempt to reduce your increased costs. You do not pay tax on it and it will not show up on your W-2."

2022 Updates in Federal Penalties for late W-2 & 1099s

Days Late	Expected Penalty
Up to 30 days	\$50/return \$55,500 max \$206,000 small business
31 days - July 31st	\$110/return \$1,766,000 max \$588,500 small business
August 1st - later	\$208/return \$3,532,500 max \$1,177,500 small business \$580/return for intentional disregard

If you're wondering whether to send out those 1099's this year or not, take a look at these penalties. If you get audited, this is what you'll be paying!

New state minimum wage as of Jan. 1, 2022



Minnesota's minimum-wage rates will be adjusted for inflation beginning Jan. 1, 2022, to \$10.33 an hour for large employers and \$8.42 an hour for other state minimum wages.

Minimum-wage rates as of Jan. 1, 2022

The following are Minnesota's minimum-wage rates as of Jan. 1, 2022:

- Large employers must pay at least \$10.33 an hour when the employer's annual gross revenues are \$500,000 or more.
- Small employers must pay at least \$8.42 an hour when the employer's annual gross revenues are less than \$500,000.
- The training wage rate, at least \$8.42 an hour, may be paid to employees younger than 20 years of age for the first 90 consecutive days of employment.
- The youth wage rate, at least \$8.42 an hour, may be paid to employees younger than 18 years of age.

Why the state minimum wage is increasing

Under Minnesota law, the commissioner of the Department of Labor and Industry is required to determine and announce the inflation-adjusted minimum-wage rate each year by Aug. 31. This past year, the change in the price index used for this purpose was an increase of 2.5%. (MN Department of Labor and Industry)

Standard Mileage Rates

Period	Rates in cents per mile		
	Business	Charity	Medical Moving
2022	58.5	18	14
2021	56	14	16
2020	57.5	14	17

BUSINESS AND TAX NEWS

Due to the multitude of retroactive law changes during the past year, it is more important than ever that your tax preparer see any correspondence you have received from the federal or state government. IRS and MN Revenue have automatically corrected many returns for unemployment changes, and unfortunately, they are not always accurate. Please be sure to provide us with all documentation of additional tax refunds, advance payments, or additional taxes paid.

Minnesota Unemployment Tax Increases



On December 15th, 2021, Minnesota employers should have received a letter from MNUI detailing their 2022 MNUI Tax Rate. There have been some changes and increases to these rates from last year, so we thought we would highlight a few of those.

- The Base Tax Rate has increased from .10% to .50%
- There is an Additional Assessment Tax of 14.00% of your UI Tax Rate
- Federal Loan Interest Assessment: 1.80% of UI Rate, down from 4.0% in 2021
- Workforce Development Assessment: 0.10% of your quarterly taxable wages

Optional Per Diem Rates

The IRS has provided optional per diem allowances for lodging, meals, and incidental expenses (M&IE) while traveling for business and away from home. These are calculated using a high-low method based on the locality visited. The 2021 and 2022 daily rate is \$292 and \$296, respectively, for travel to any “high-cost locality”, which includes a \$71 (2021), and \$74 (2022) M&IE component as well as \$221 (2021) and \$222 (2022) for lodging.

The 2021 and 2022 daily rates for travel to a “low-cost locality” are \$198 and \$202, respectively. This includes a \$61 (2021) and \$64 (2022) M&IE and \$138 (2021/2022) for lodging. The rates for both years are effective for allowances paid to an employee on or after October 1, 2020/2021 for travel away from home on or after October 1, 2020/2021, respectively.

The special M&IE rate for the transportation industry is \$69 per day in the continental US and \$74 per day outside the continental US.

(Minnesota Association of Public Accountants)

IRS provides guidance on per diem rates and the temporary 100% deduction for food or beverages from restaurants

On November 16th, the Internal Revenue Service issued Notice 2021-63 to make clear how the temporary 100% business deduction for food or beverages from restaurants applies to taxpayers properly applying the rules of Revenue Procedure 2019-48 for using per diem rates.

Previously, the IRS issued Notice 2021-25 providing guidance under the Taxpayer Certainty and Disaster Relief Act of 2020, which added a temporary exception to the 50% limit on the amount that businesses may deduct for food or beverages. The temporary exception allows a 100% deduction for food or beverages purchased from restaurants, as long as the expense is paid or incurred in 2021 or 2022. (IRS.gov)

In general, a taxpayer can choose to use the per diem rate to substantiate a deduction for the cost of a meal as an ordinary and necessary business expense while traveling away from home. IRC section 274(n) limits a deduction for business meals to 50% of the cost. When the per diem rate is used to substantiate the cost of a meal, the taxpayer is allowed to deduct 50% of such per diem rate as the deduction for the business meal.

The Consolidated Appropriations Act, 2021, added IRC section 274 to the IRS Code which provides a temporary exception to the 50% limitation for **business meals provided by a restaurant**. Effective for expenses paid or incurred after December 31, 2020 and before January 1, 2023, food or beverages provided by a restaurant are 100% deductible provide the meal is otherwise deductible as a business meal. (TheTaxBookNews)

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

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*From All of Us At Sannerud
 Savarese & Associates, P.A.
 Thank you for your business!*

Susan E. Savarese CPA, Managing Partner
 Betsy O'Berry, Tax Manager Certified Public Accountant
 Terry Adank Certified Public Accountant, CGMA
 Paulette Hynes Enrolled Agent
 Shelly Martin Enrolled Agent
 Michelle Romning Tax Preparer
 Kathy Siercks Internal Accountant
 Olivia Johnson Accounting Associate
 Scott Dykhoff Staff Accountant
 Sarah Nollan Staff Accountant
 Amy Krekelberg Receptionist
 Mary Lou Michels Support Services

STAFF

Olivia:
 • MN Webinar: Sales & Use Tax
 • MN Webinar: Sales & Use Tax for Contractors
 • Thompson Reuters: Payroll Tax Compliance
 • Quickbooks: Payroll Services virtual conference

The staff has attended the following classes:

Betsy:
 • MNCPA Tax Conference
Shelly:
 • MAPA - 2021 Accounting & Auditing
 • The Tax Book - Ethics - Circ. 230
Terry:
 • MCPA Tax Conference
Paulette:
 • NAEA - 1040 Tax In-Depth
 • Quickbooks: Payroll Services virtual conference
Sue:
 • The Changing Employee Landscape
 • MN Tax Update
 • Ethics Class
 • MNCPA - 1040 Tax In-Depth
Scott:
 • Business Tax In-Depth Webinar
 • The Tax Book: Advanced Business
 • Income Tax Short Course Webinar
 • MN Webinar: Sales & Use Tax
 • MN Webinar: Sales & Use Tax for Contractors
 • Thompson Reuters: Payroll Tax Compliance

The staff at Sannerud, Savarese & Associates, P.A. welcomes Sarah Nollan to our team. Sarah has been doing accounting/bookkeeping for small family-owned businesses for much of her career. While being a stay-at-home mom, she did individual and small business tax returns for 4 years, and now is working toward getting her enrolled agent certification. In her free time Sarah is busy with her son and 2 stepdaughters and enjoys traveling and refinishing old furniture.

Introducing our newest employees...