



Webinar with Tax Professionals: June 20, 2018

Disclaimer: Information in this document is based on the laws in effect when it was written. It does not supersede or alter any provision of Minnesota laws, administrative rules, court cases, or revenue notices. It does not provide tax advice.

Note: Questions and comments made by participants were an important and valued part of these conference calls. Participant questions and feedback are incorporated into our [2019 Filing Season for Tax Year 2018 FAQs](#).

Mark: Hello and thank you for joining us today. I'm Mark Krause, the Tax Professional Outreach Coordinator with the Income Tax and Withholding Division. I'm here today with Cynthia Rowley, Assistant Commissioner at the Minnesota Department of Revenue.

There are several other Minnesota Department of Revenue employees who are joining us today.

Before we get started, there are a few housekeeping items we want to cover:

1. We have muted your phone lines. This will eliminate background noise and help facilitate the conversation.
2. At some point during the webinar, we will open the phone lines one at a time for comments. The operator will facilitate this process and will call on participants who have a comment.
3. Anytime during the webinar, you can send us a comment or question through chat. To do this, select the green tab at the top of your screen labeled Michelle Kluge desktop and select chat. A chat box will appear for you to send us comments or questions. We will capture your comments or questions throughout the webinar. If we do not get to your question, we will follow up with you afterwards.

On your computer screen, we will be walking through some different information. You may need to periodically move your mouse to avoid the screen saver kicking in.

Today, we will provide an overview of our implementation plans for the 2019 Individual Income Tax and Corporate Franchise Tax filing season. We will also solicit your ideas on how we can best assure a successful filing season for you, your clients, and taxpayers impacted by nonconformity. I will now turn it over to Cynthia.

Cyndi: On behalf of the Minnesota Department of Revenue, I would like to welcome all of you. I am Cynthia Rowley, Assistant Commissioner at the department.

For those who do not know me, I am responsible for the department's Individual Income and Withholding Tax Division, Property Tax Division, and Tax Operations Division.

Before we cover impacts to 2019 Minnesota tax filing, I would like to cover the history of the federal law changes. It began with the Disaster Tax Relief and Airport and Airway Extension Act of 2017 enacted on September 29, 2017. Then, on December 22, 2017, President Trump signed new federal tax changes into law. The Bipartisan Budget Act was enacted on February 9, 2018, which renewed a number of individual and business tax benefits (also known as federal extenders) for tax year 2017. Finally, the Consolidated Appropriations Act of 2018 was enacted.

Minnesota's 2018 Legislative Session has concluded. The 2018 Legislative Session outcome means the Minnesota tax code does not incorporate the federal tax law changes for tax years 2017 or 2018.

Starting with 2017: Forms calculating the differences between federal and state laws for tax year 2017 were posted to our website in February. Customers should continue to use these existing 2017 forms, instructions, and systems to file their tax year 2017 returns.

Turning to 2018: The federal tax changes will affect 2018 Minnesota tax forms and calculations. We have begun our process to update the state tax filing systems for next filing season. This process happens annually, starting after the end of the legislative session. The work we do to prepare for the tax filing season is work we do each year. This year it is the same type of work but with a different context – we will update the tax filing systems to accommodate the differences between the federal and Minnesota tax laws.

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While this process happens annually, we anticipate you may want to know a little more about the process and its timeline this year. That is why we are convening this conference call several months earlier than prior years.

We have already started:

- Synthesizing the differences between federal and Minnesota law to identify necessary additions, subtractions, or other modifications to accurately identify the right amount for Minnesota.
- Listening and engaging with all of you and other important stakeholders.

We will soon move to tax form updates and development.

- The Individual Income Tax Division and the Corporate Franchise Tax Division work together to update over 80 forms each filing season.
- Tax form updates include everything from changing the year “2017” on each form to “2018” to determining where non-conformity provisions are incorporated into the forms.
- Teams and workgroups do this work – each of which takes responsibility for publishing accurate, near final forms and instructions in August each year.
- In the past, you have been familiar with the nonconformity schedule for individuals, or Schedule M1NC, *Federal Adjustments*. This year, there will be a nonconformity schedule for businesses and fiduciaries. In addition, each Minnesota Schedule K will have a corresponding nonconformity schedule for partners, shareholders, and beneficiaries.

We will post drafts of most forms on our website at www.revenue.state.mn.us in August. You will be able to find these drafts by selecting “Software Providers” under the **For Tax Professionals** section. Then, select the “Forms, ERCs, and Specifications” tab. Finally, select “Individual Income Tax.”

After we publish the near final forms, we move into tax processing systems development and testing, including close work with software providers.

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As we do this work, we are guided by our priorities around serving customers and identifying solutions that support taxpayers as much as possible.

- We will work to minimize the administrative impacts to all of our customers including preparers, and software providers.
- We need to support voluntary compliance through forms and instructions that illustrate the changes required to calculate 2018 Minnesota Taxable Income in as clear and transparent a way as possible. We will need to collect enough information from taxpayers to be able to assist them when they intended to file correctly but did not due to the additional complexity of the federal law changes. We will design our forms in a way that enables us to administer the tax code correctly and consistently.

You can expect that we will be looking for opportunities to work with you and other stakeholders to ensure everyone has the information, education, and services taxpayers need to meet their obligations under Minnesota law.

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We encourage you to sign up for our emails lists.

Go to our website and select the red envelope. Choose “Tax Law Changes” to sign up for email updates on the latest information and opportunities to engage with us.

You can also select the orange “Tax Law Changes” button you see here. That is where we will post updates. There is a link to the tax law changes email list on that page as well.

We will continue to update the public and engage you as we work through this process.

We also want to let you know that will have another webinar later this summer. In this upcoming webinar, we will review drafts of our new and revised forms, covering them line by line. We will also have more detailed instructions on how to complete these forms.

The timeline for preparing for 2019 you saw earlier emphasizes the importance of engaging and communicating with stakeholders. We want and need your ideas, suggestions, and feedback. We want to open up a dialogue with you now – to hear from you – and capture your ideas – on how the department can best assure a successful filing season for you, your clients, and taxpayers impacted by nonconformity.

We have been asking these questions of other groups, too, and here are some of the things we’ve heard most often:

1. How will Minnesota handle standard or itemized deduction elections made at the federal level?

2. What about accounting methods—cash vs. accrual?
3. Will Minnesota update their withholding calculator?
4. Should clients retain receipts for things that are no longer deductible at the federal level?
5. How will you communicate with us?
6. Will Minnesota be flexible with interest and penalty in 2019?

We are interested in hearing what else is on your mind and have a few questions to get the conversation started. Our first question is – What areas of nonconformity would you like the department to pay particular attention to?

This question is really about you – are there areas of complexity or areas of concern that you are thinking about that you want to make sure the department is also focused on as we develop forms and instructions.

[Moderator], please open the lines for comments.

Our second question is – What questions are your clients asking that the department would benefit from knowing about?

This question is about taxpayers – what insights do you have to share about the needs of your clients?

[Moderator], please open the lines for comments.

Our third question is – Is there anything else you want us to know or any questions you may have?

[Moderator], please open the lines for comments or questions.

Thanks to all of you for sharing your ideas. I will turn it over to Mark for some closing comments.

Mark: Thank you for joining us today. We really appreciate your willingness to share your insights and ideas. We will post the transcript for this webinar under our Conference Calls and Webinars page on our website.

The department is committed to meeting our priorities for the upcoming filing season. If you have further comments or ideas, please contact me on the Tax Professional Outreach Line at 651-556-6606 or email me at taxpro.outreach@state.mn.us.