

December 2021 Tax Professional Webinar

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 - Call (415) 655-0003 and provide conference ID: 146 219 1860
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You will hear silence until we move to the next slide.

Today's webinar is being recorded.

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Tax Professional Webinar 2022 Filing Season Updates and Tax Law Changes

December 9, 2021 9:30 – 11 a.m.

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Disclaimer

This presentation is for educational purposes only and does not provide tax advice. It is meant to accompany an oral presentation and not to be used as a standalone document.

This presentation is based on the facts and circumstances being discussed, and on the laws in effect when it is presented. It does not supersede or alter any provisions of Minnesota laws, administrative rules, court cases, or revenue notices.

If you have any questions, contact us at 651-656-6606 or taxpro.outeach@state.mn.us.

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Housekeeping

- Phone lines muted
- Send questions through chat
- Q&A at the end of the presentation
- This webinar is being recorded

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Today's Topics

- Department Updates
- Conformity Updates
- Business Income Tax Updates
- Individual Income Tax Updates
- Notable Court Cases

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Department Updates

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Department Updates

New Identity Theft Forms and Procedures

- Form M1ID, Identity Theft Affidavit
- Form REV189, Request for Copy of Return Related to Identity Theft
- Form REV190, Authorization to Release Return Related to Identity Theft

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Department Updates

Retirement of Phone File and Pay System

- Retired late spring 2021
- Use e-Services to file and pay
- Contact us for alternative options

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Department Updates

2020 Tax Return Adjustments for Conformity

- Paycheck Protection Program (PPP) adjustments
- Unemployment compensation adjustments
- Letters mailed
- Other conformity adjustments

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Department Updates

Standard Deduction Limitation Adjustments

- Updated worksheet published for tax years 2019 and 2020
- Revenue will adjust filed returns with these FAGI thresholds

Filing Status	Tax Year 2019	Tax Year 2020
Single	\$276,000	\$280,534
Married Filing Jointly	\$357,334	\$363,200
Qualifying Widow(er)	\$178,675	\$181,609
Married Filing Separately	\$317,000	\$322,200
Head of Household		

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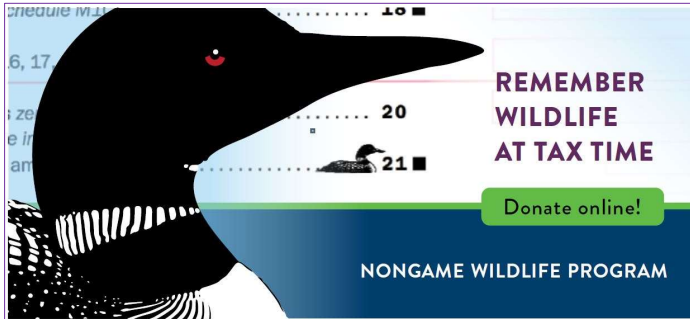
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Department Updates

Donations come from State Tax Forms, direct check donations, and online donations. Donations include estate and legacy donations.



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Department Updates

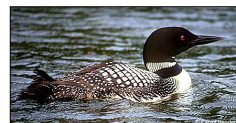


Nongame fish and wildlife are those species not traditionally hunted or harvested.

This includes over 800 species of:

- Birds
- Mammals
- Fish
- Reptiles
- Amphibians
- Mussels
- Butterflies
- Dragonflies

And hundreds of other insects.



For more information on the Nongame Wildlife Program, visit mndnr.gov/nongame

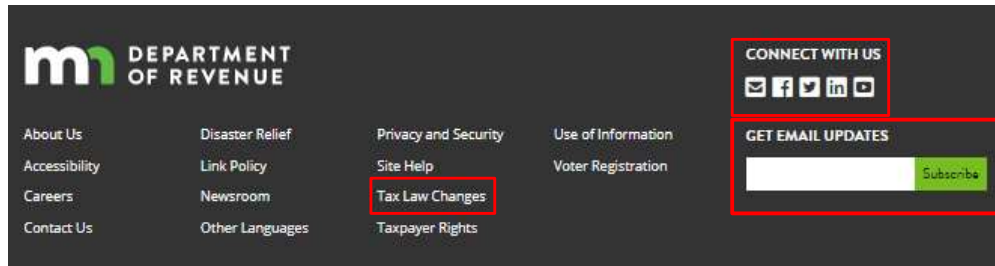
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Department Updates



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Department Updates

Tax Law Changes Webpage

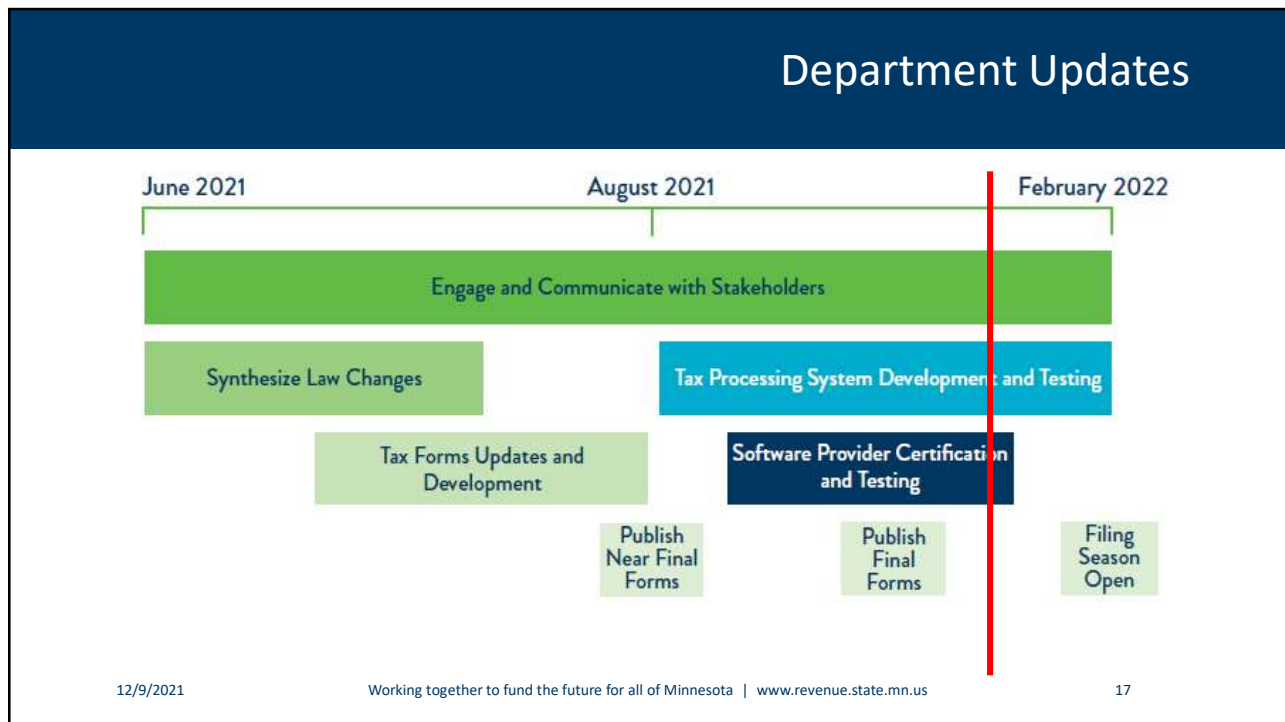
- FAQs
- Conference call and webinar scripts
- 2022 filing season timeline
- Update on 2021 tax forms
- Email questions to TaxLawChanges@state.mn.us

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Conformity Updates

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Federal Tax Laws

Minnesota tax law generally conforms to the Internal Revenue Code as amended through **December 31, 2018**.

Name of Federal Tax Laws Enacted After December 31, 2018	Date Enacted
Taxpayer Certainty and Disaster Tax Relief (TCDTR) Act of 2019	12/20/2019
Setting Every Community Up for Retirement Enhancement (SECURE) Act	12/20/2019
Families First Coronavirus Response (FFCR) Act	3/18/2020
Coronavirus Aid, Relief, and Economic Security (CARES) Act	3/27/2020
Taxpayer Certainty and Disaster Tax Relief Act of 2020 (TCDTR20)	12/27/2020
COVID-related Tax Relief (COVIDTR) Act of 2020	12/27/2020
American Rescue Plan Act (ARPA)	3/11/2021

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Taxpayer Certainty and Disaster Tax Relief (TCDTR) Act of 2019

Minnesota Conformity Highlights

- Extends the qualified principal residence indebtedness (QPRI) exclusion to apply to debts discharged before January 1, 2021, **or** subject to a written agreement entered before January 1, 2021
- Up to \$15 million in expenses for certain film, television, and live theater costs
- Extends deductions for energy efficient commercial properties and certain biofuel properties

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Taxpayer Certainty and Disaster Tax Relief (TCDTR) Act of 2019

Minnesota Conformity Highlights (cont.)

- Businesses on an Indian reservation may extend accelerated depreciation for business property
 - Does not apply to property placed in service after Dec. 31, 2020 (previously Dec. 31, 2017)
- Up to \$100,000 for disaster-related distributions from retirement accounts can be spread over three years following the distribution
 - Within 180 days of disaster between Jan. 1, 2018, and Feb. 20, 2020

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Taxpayer Certainty and Disaster Tax Relief (TCDTR) Act of 2019

Minnesota Conformity Highlights (cont.)

- Cash charitable contributions for disaster relief efforts up to 100% of the contribution base
 - Allows excess (up to 60% of contribution base) to be carried over for contributions between Jan. 1, 2018, and Feb. 20, 2020
- Allows deduction for the full amount of the disaster-related casualty loss (for casualty losses between Jan. 1, 2018, and Feb. 20, 2020)
 - Current Minnesota law limits the casualty loss itemized deduction to losses greater than \$100 in excess of 10% of AGI

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Taxpayer Certainty and Disaster Tax Relief (TCDTR) Act of 2019

Minnesota Nonconformity Highlights

- Typical extender provisions
- Deduction for qualified tuition and related expenses does not apply to taxable years beginning after December 31, 2017
- Certain federal credits and deductions that impact depreciation and expenses

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Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019

Minnesota Nonconformity Highlights

- Expansion of eligible section 529 higher education savings plans
- Allowance for higher education savings account distributions used for:
 - Apprenticeship programs
 - Student loans payments

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Families First Coronavirus Response Act (FFCRA) of 2020

Minnesota Nonconformity Highlights

- Federal payroll tax credits for employer-paid medical leave due to COVID-19

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Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020

Minnesota Conformity Highlights

- Loan amounts forgiven as part of the federal Paycheck Protection Program (PPP) are excluded from gross income (amounts forgiven after February 15, 2020)
- Allows up to \$100,000 of COVID-19 related distributions for retirement accounts
 - Amount included in gross income over three years, starting in the year of distribution

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Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020

Minnesota Nonconformity Highlights

- Changes to the excess business loss limitations of non-corporate taxpayers
- Net operating loss carryovers
- Charitable contributions for non-itemizing taxpayers
- Business interest expense limitation
- Qualified Improvement Property (QIP) technical fix

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Taxpayer Certainty and Disaster Relief (TCDTR20) Act of 2020

Minnesota Nonconformity Highlights

- Full deduction of business meals (expires after December 31, 2022)

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COVID-Related Tax Relief Act (COVIDTRA) of 2020

Minnesota Conformity Highlights

- Expenses related to PPP loan forgiveness are deductible (if incurred after February 15, 2020)
- PPE, disinfectant, and other supplies to control COVID-19 are eligible for the federal educator expense deduction (after March 12, 2020)

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COVID-Related Tax Relief Act (COVIDTRA) of 2020

Minnesota Conformity Highlights (cont.)

- Emergency financial aid grants provided to students under the CARES Act excluded from gross income (for qualified grants made after March 26, 2020).
- Economic Injury Disaster Loan (EIDL) and targeted EIDL advances excluded from gross income. Allows a deduction for related expenses.
 - Federally effective for taxable years ending after March 27, 2020, and effective for all EIDL and Targeted EIDL Advances occurring in 2020 and 2021.
 - Adopts provision for payments in taxable year 2020 only.

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COVID-Related Tax Relief Act (COVIDTRA) of 2020

Minnesota Conformity Highlights (cont.)

- Provides an exclusion from gross income for small business loan subsidy payments under section 1112(c) of CARES. Allows a deduction for related expenses.
 - Federally effective for taxable years ending after March 27, 2020, and effective for 1112(c) payments occurring in 2020 and 2021.
 - Adopts provision for payments in taxable year 2020 only.

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American Rescue Plan Act (ARPA) of 2021

Minnesota Conformity Highlights

- Exclude up to \$10,200 in unemployment compensation (Tax Year 2020)
 - For joint returns, exclusion applies to each spouse who received unemployment compensation
 - Federal adjusted gross income (FAGI) must be less than \$150,000

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American Rescue Plan Act (ARPA) of 2021

Minnesota Nonconformity Highlights

- Increased child and dependent care expense amounts for federal only
- Restaurant revitalization grants exclusion
- Worldwide interest allocation for C corporations

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Income Tax Updates

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2021 Business Income Tax Updates

Pass-Through Entity (PTE) Tax

- Entity-level tax for partnerships and S corporations
- Temporary state and local tax (SALT) cap workaround
- Definition of “qualified owner” prevents tiered pass-through entities from making this election
- Election is irrevocable for the taxable year, once made
- Effective for tax years beginning after December 31, 2020

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2021 Business Income Tax Updates

Pass-Through Entity (PTE) Tax

- One-hour webinars coming soon
- Watch for email and website announcements
- Businesses → Resources → Education and Outreach

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2021 Business Income Tax Updates

Partnership Audit

- Adopts state-level reporting and payment requirements for federal BBA partnership audit regime
- Allows election for partnership to pay the tax at the entity level
- Imposes federal adjustment report filing requirements
- Requires designation of state partnership representative

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2021 Business Income Tax Updates

Film Production Credit

- Administered by the Minnesota Department of Employment and Economic Development (DEED)
- New nonrefundable tax credit for 25% of eligible production costs
- Effective for tax years 2021 through 2024

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2021 Business Income Tax Updates

Section 179 Expensing

- Full conformity to Internal Revenue Code, section 179
- Addition lines are removed for tax years 2020 and after
- Subtraction lines will remain for tax years 2016 through 2019

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2021 Individual Income Tax Updates

Filing Status	Minnesota Standard Deduction Amount
Married Filing Jointly Qualifying Widow(er)	\$25,050 (Fed \$25,100) + \$1,300 for each spouse blind (Fed \$1,350) + \$1,300 for each spouse 65 or older
Head of Household	\$18,800 (Fed \$18,800) + \$1,650 if blind (Fed \$1,700) + \$1,650 if 65 or older
Single Married Filing Separately (MFS)	\$12,525 (Fed \$12,550) + \$1,650 if blind (\$1,300 MFS) + \$1,650 if 65 or older (\$1,300 MFS)
Dependent on another return (Defined in IRC, sections 151 and 152)	Larger of \$1,100 or Earned Income + \$350, up to \$12,525

Standard deduction limited when FAGI exceeds \$199,850 (\$99,925 for MFS)

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2021 Individual Income Tax Updates

Dependent Exemptions

- Exemption amount allowed for eligible dependents
 - \$4,350 per dependent
 - Must meet qualifications defined in Internal Revenue Code, sections 151 and 152
- Amount phases out based on income and filing status

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2021 Individual Income Tax Updates

Volunteer Driver Reimbursement Subtraction

- Reimbursements up to \$0.14 per mile
- 2021 standard mileage rate: \$0.56 per mile
- Subtraction equal to the amount in excess of the charitable organization reimbursement up to the standard mileage rate
 - \$0.42 per mile maximum for tax year 2021
- Effective after December 31, 2020; beginning in tax year 2021

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2021 Individual Income Tax Updates

Working Family Credit

- Age requirement lowered to 19 (from 21) for taxpayers with no qualifying children
- Uses age as of December 31 of the tax year
- Effective after December 31, 2020; beginning in tax year 2021

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2021 Individual Income Tax Updates

Student Loan Credit

- No penalty if both spouses have earned income and filed jointly
- Changed earned income definition so adjusted gross income is allocated between spouses
- Effective after December 31, 2020; beginning in tax year 2021

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Property Tax Refund

Household income includes:

- Loan amounts forgiven under the Paycheck Protection Program
- All unemployment compensation, including nontaxable amounts

Beginning with 2021 Forms M1PR

- Veteran's disability compensation paid under U.S. Code, Title 38, is excluded from household income

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Tax Year 2021

Important Individual Income Tax Forms Changes

- Schedule M1M split into:
 - Schedule M1M, Income Additions and Subtractions
 - Schedule M1MB, Business Income Additions and Subtractions
- Added new lines to Schedule M1CD, Child and Dependent Care Credit
- Created Schedule M1LOSS, Minnesota Limitation on Business Losses

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Tax Year 2022

Minnesota Withholding

- Unless the taxpayer opts out, financial institutions must withhold income tax on deferred compensation paid as:
 - Periodic payments (opt out once)
 - Nonperiodic distributions (opt out for each distribution)
- Effective January 1, 2022

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Telecommuting

Wage Allocation

- No changes to wage allocation
- Allocate wages and withhold state tax for work physically performed in Minnesota
- Reciprocity agreements still apply

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Telecommuting

Bordering States

North Dakota, Iowa, and Wisconsin residents who telecommuted at any time:

- Allocate wages not earned in Minnesota to the resident's home state
- No change to withholding in reciprocity agreements (North Dakota/Michigan)

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Telecommuting

Bordering States

Minnesota residents who previously commuted to North Dakota, South Dakota, Iowa, and Wisconsin who now telecommute:

- Allocate all wages to Minnesota

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Telecommuting

Incorrect W-2 allocation

- Try to obtain W-2c from employer
- If no W-2c is received, allocate wages properly, complete return and include an explanation.
- Report any employer that refuses to issue a W-2c:
 - 651-282-9999 or 1-800-657-3594
 - withholding.tax@state.mn.us
 - You may report anonymously

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Economic Impact Payments

- Economic Impact Payments (EIP 1, EIP 2, and EIP 3)
 - Not included in Minnesota adjusted gross income
 - Not included in household income

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2021 Unemployment Compensation

- Unemployment compensation for 2021 may include:
 - Regular benefits
 - Pandemic Emergency Unemployment Compensation (\$600/week)
 - Federal Pandemic Unemployment Compensation (\$300/week)
- Included in Minnesota adjusted gross income and household income
- Taxable for 2021 – Exclusion only applied to 2020

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Court Cases

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Court Cases

Olson, Supreme Court of Minnesota, December 30, 2020

The Minnesota Supreme Court agreed with the Minnesota Tax Court that regular mail provided sufficient notice. In this case, the Department of Revenue's tax order was sent to the taxpayer by regular, non-certified mail. The Minnesota Supreme Court held that regular, non-certified mail provides sufficient notice to satisfy procedural due process.

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Questions?

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Contact Us

Income Tax Questions

- Email: individual.incometax@state.mn.us
- Phone: 651-296-3781 or 1-800-652-9094

Withholding Tax Questions

- Email: withholding.tax@state.mn.us
- Phone: 651-282-9999 or 1-800-657-3594

Business Tax Questions

- Email: businessincome.tax@state.mn.us
- Phone: 651-556-3075 or 1-800-657-3666

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Thank you!

Mark Krause | Tax Professional Outreach Coordinator

taxpro.outreach@state.mn.us

651-556-6606

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