



Tax Pro Annual Filing Season Update Webinar

December 8, 2022

Questions and Answers

Here are the questions received and answers provided for our December 8, 2022, filing season update webinar with tax professionals.

***Disclaimer:** This document is based on the facts and circumstances being discussed and on the laws in effect when it was created. It does not supersede or alter any provisions of Minnesota laws, administrative rules, court cases, or revenue notices. It does not provide tax advice.*

Paper-Filing Fee

Are we required to register our tax preparation business and obtain a Minnesota Tax ID number to make paper-filing fee payments in e-Services?

No. You may use either the business Minnesota Tax ID number associated with your tax preparation business or your Social Security Number if you do not have a Minnesota Tax ID number. For more information, see [Income Tax Fact Sheet 17 – Preparer’s Paper-Filing Fee](#).

Does the fee apply if my client opts out of state electronic filing?

No. Keep accurate records showing which clients opted out of e-filing.

Does the fee apply if the Minnesota Department of Revenue rejects an e-filed return?

If you receive error rejection codes (ERC) that could be addressed by correcting items on a rejected return, the fee would still apply if you mail the return instead of correcting the errors. If the only workaround to an ERC is to mail in the return, then the fee would not apply.

Example: We rejected a return because the dependents were claimed on more than one return. If a taxpayer elects to have the IRS resolve the issue, then they must mail the return and the paper-filing fee would not apply.

Keep records as to why the return was not e-filed and whether the paper-filing fee applies or not.

Does the fee apply to Minnesota returns that must be mailed because the taxpayer needed to apply for an Individual Taxpayer Identification Number (ITIN) before filing?

No, because our e-filing system cannot accept returns with newly-received ITINs.

Itemized Billing Statement

Is "preparation of 2022 tax return" sufficient for an itemized billing statement?

It depends. The statement must include an itemized invoice that lists what return preparation, refund anticipation loan, and refund anticipation check services were provided and the associated charges for them.

What statute requires an itemized bill be given to our clients, and when did it become effective?

[Minnesota Statute 270C.445, subdivision 5](#), was enacted June 2, 2005, and became effective August 1, 2005. For more information, see [2005 Session Law, Chapter 151, Article 1, Section 54](#).

May I charge a flat fee for tax preparation?

Yes, but you must still provide an itemized billing statement to your client that states what services were provided and the fee charged.

Power of Attorney

Can tax pros automatically receive copies of letters we send to their clients?

Appointees can request a copy of any letter that is under the authority they are assigned. We cannot automatically send letters to both the taxpayer and the appointee.

The taxpayer may elect to have the appointee to receive all mail except refunds. Under this option, only the appointee will receive letters and not the taxpayer.

Can IRS Form 2848 be used to grant power of attorney?

Yes, as long as "State of Minnesota," the tax type, and the tax years are stated on Section 3 of the form.

How long does it take to process a power of attorney form?

We generally process these forms within a few days of receiving them.

Do I need a separate power of attorney if I signed the return and checked the authorization box that allows Revenue to speak to the preparer?

The preparer authorization checkbox grants us permission to discuss only that specific return with the paid preparer. It does not provide the same level of authorization as a legal power of attorney. The return checkbox does not allow the preparer to sign tax documents or represent their client on an audit or appeal.

Can Revenue process power of attorney forms while we are on the phone with someone?

To ensure we protect taxpayer information, follow the instructions on the power of attorney forms for proper processing.

I checked the preparer authorization box on my client's tax return, but when I called about the return, you told me the box was not checked. Was there a problem?

In some cases, our system did not populate the preparer authorization box even if the box was checked on your copy of the return. We have since addressed this issue, but we have a workaround for this situation if it happened to you.

Frontline Worker Pay

Will taxpayers get a letter or Form 1099 if they received Frontline Worker Pay?

No. There are currently no plans to send documents to taxpayers who received this payment.

Will there be an online lookup for Frontline Worker Pay

To view the status of a Frontline Worker Pay application, go to [Minnesota's Frontline Worker Pay website](#). The applicant must log into their account to view their submission. To view the status of a ReliaCard delivery and receive answers to other questions, see the [Frontline Worker Pay payment FAQs](#).

Do we need to ask if any dependents received Frontline Worker Pay?

Yes. Depending on the situation, the dependent's payment may be taxable and included in federal income.

Did Minnesotans need to request Frontline Worker Pay, or were they sent payments automatically?

Frontline workers needed to go through an application process to receive their payments. Payments were not sent unless the worker's application was approved.

9/11 Veteran Service Bonus

How does tax and reporting work for Post-9/11 Service Bonuses? Will recipients get a Form 1099 for the payment?

Servicemembers needed to apply for this payment, and they should have records that indicate the amount received. Generally, the payment is taxable on the federal return but is not taxable on the Minnesota return. It is also considered household income.

A Form 1099 will not be issued to payment recipients.

Does this payment need to be included on Schedule M1ED, K-12 Education Credit?

If the payment is already included in federal adjusted gross income (FAGI), then no adjustment needs to be made on Schedule M1ED. If it is not included in FAGI, include the payment amount on line 5a of Schedule M1ED.

Business Tax

Is the forgiven amount of Paycheck Protection Program (PPP) loans included in Minnesota income?

No. Minnesota conformed to the federal PPP loan forgiveness exclusion, and the amount is not taxable under Minnesota law.

How does Minnesota handle research and development (R&D) expenses that now must be amortized on the federal tax return?

Minnesota conformed to the Tax Cuts and Jobs Act provision regarding R&D expense amortization.

Are Minnesota returns amended the year for which the Employee Retention Credit was for?

Minnesota taxpayers who file an amended federal income tax return are required to report federal changes to Minnesota and must also file an amended Minnesota return. Make a nonconformity adjustment to include the amount of disallowed wages due to claiming the refundable payroll tax credit on their federal return on the appropriate state nonconformity schedule.

Taxpayers who were not allowed to deduct wages due to claiming the refundable payroll tax credit may subtract the amount of wages not allowed as a federal deduction.

Information Requests

How far can you go back to get Minnesota withholding information?

A businesses e-Services withholding tax account retains most prior years records. If you are requesting information from Revenue and not a business, we can provide it for the last six years.

How quickly will I receive the withholding information I requested?

Processing times may vary depending on the request's complexity and volume of requests. We try to process information requests as soon as we receive them.

Withholding Taxes

For Minnesota Withholding Tax, I have an employee who randomly requests to not have any federal or state taxes deducted from their paycheck. Can we honor these requests?

Individuals may be exempt from withholding if they had no income tax liability the prior year and do not expect to owe in the current year. There are other specific situations listed on Form W-4MN, Minnesota Employee Withholding Allowance/Exemption Certificate, where employees may be exempt from withholding. Those are the only situations when tax should not be withheld from their paycheck, and employees should complete Form W-4MN each time they request changes to their withholding.

Is Form W-4MNP required each year before a distribution?

If the taxpayer receives periodic distributions, they only need to complete Form W-4MNP once unless they wish to change their election. If they receive non-periodic distributions, you should confirm with the recipient if they wish to use their current election or have them complete Form W-4MNP each time there is a non-periodic distribution.

K-12 Education Credit and Subtraction

Is there anything new with the K-12 Education Credit and Subtraction?

Not at this time. We will continue to monitor legislative developments related to this and other credits in the upcoming legislative session.

Can mandated personal protective equipment (PPE) for grades K-12 qualify as a deduction on the Schedule M1ED?

No. PPE is not eligible under current law. For more information, see [Minnesota Statute 290.0674](#).

Miscellaneous

When will Revenue send out Forms 1099-INT for interest paid in 2022?

We will issue Forms 1099-INT by January 31, 2023.

Can a taxpayer create an account with Revenue to look up payments received, tax return status, letters received, and taxes owed?

No. We do not have e-Services accounts available for individuals at this time.

When will we be able to e-file the Minnesota Form M1X instead of mailing them in?

This is something we are still working on. We do not have a date when this will be available, but we will keep you informed as needed.