



Pine Tax & Accounting LLC

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December 31st, 2019

Greetings!

After the big Federal law change of 2018, Minnesota adopted some but not all of the Federal changes in 2019. Some of the law changes were made retroactive to prior years. You might receive a letter with a balance due for mostly depreciation changes. Please contact us if you receive a letter so we can confirm that it is correct.

Because of the availability of posting and printing information from our website, this will be the last year we mail out letters. Please let our office know if you cannot print from our website and we can still mail one to you.

2019 New Tax Law Changes for MN

Standard Deduction-raised to the same amount as Federal

Personal Exemption-\$4,250 for dependents, subject to income phaseout

Unreimbursed Employee Expenses-Employees that have unreimbursed employee expenses can still be taken on Minnesota. However, you have to have enough expenses to get over the new higher standard deduction.

Sale of Business Assets-Like Federal, only Real Property can be used for Like-Kind Exchange. All other property traded in will be treated as a Sale and the full amount of the new asset taken on the depreciation schedule.

2019 Federal Changes

The postcard size tax return is out, but there are still extra schedules on the 1040.

Virtual Currency-This year, we are required to report if you have virtual currency as part of the tax return. If you have gain or loss on virtual currency through sale or barter, it needs to be reported on the tax return. The IRS is focusing on income not being reported due to Virtual Currency. Please bring your transaction detail if this applies to you.

Standard Deduction-Single and Married Filing Separate \$12,200, Head of Household \$18,350, Married Filing Joint \$24,400 and Additional Elderly/Blind Single \$1,650 and Married or Surviving Spouse \$1,300. Because of the higher standard deduction, many taxpayers will not have enough for itemized deductions this year.

The ability to itemize deductions has been dramatically decreased because the 2018 tax law provides a much, much larger standard deduction. (You are allowed to deduct the greater of the two). However, we still need to accumulate the information on your medical, tax, mortgage interest, charity and other deductions in order to apply the new rules, and to complete your state tax returns.

Personal Exemption-none

Mileage Rates for 2019-Business-\$.58 per mile, Charitable-\$.14 per mile and Medical and Moving-\$.20.

Refinancing Home Mortgage-If you refinanced your home mortgage in 2019 or have home equity interest, it may not all be deductible in 2019. If you have enough to itemize on Schedule A, we will be asking you questions about these loans.

State and Local Taxes-Capped at \$10,000 this year.

Child Tax Credit-Increased from \$1,000 to \$2,000 per child under 17 years of age. New tax credit for dependents over 17 of \$500.

Qualified Business Income Deduction-20% deduction based on business or farm profit or taxable income. This deduction phases out for certain income levels and certain service industries. This replaces the domestic production deduction.

Trading in Equipment-The trade in of equipment on other equipment will be **treated as a sale of equipment**. Please **bring all invoices of new purchases** so we can report correctly.

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K-1's-Please bring all pages that come with K-1 as we may need information on supplemental pages.

Sales Tax-The State of Minnesota is increasing the amount of sales tax audits they are performing. We have assisted with several audits this past year. If you are not charged sales tax when you purchase a taxable item, you need to report it and pay the tax on a sales and use tax return.

If you sell items or taxable services to other counties or states, you have to charge different rates for these areas. Please ask about this at your tax appointment as there are new law changes.

LOIS IS NOT RETIRING! She will be working about the same hours as last year. Her appointments will be first come, first serve. If you are unable to get in with her, please book appointments with Sandy, Dawn or Angie. Lois will be available if any questions arise.

The first day we can electronically file returns has not been announced yet. However, if you have all your information, feel free to book your appointment as soon as you are ready. We have our software and can get everything ready to file.

If you claim **Earned Income Credit, Child Tax Credit or American Opportunity Education Credit** on your tax returns, the IRS will not be processing these returns until **February 15**. They are doing more intensive matching to stop false refunds. Please still **book an appointment** as soon as you have all your information. The IRS is **requiring** us to ask certain questions to make sure you qualify for these credits. Please do not be offended when we ask you. We will also **need copies of social security cards** for everyone the credit is claimed for (if you have not already provided us a copy).

W-2's and 1099-Misc with Box 7 (non-employee Compensation) will have to be mailed to the employees and the Government by **January 31st**. The penalties for **late filing or not filing** these forms has increased and can be up to **\$250** per form. If you need to issue W-2's or 1099's for custom work, rent, interest, or timber purchases, please have the information to us by January 15th, so we can get them done and mailed by the 30th of January. If you paid for **veterinary services** as a farm or business expense of more than \$600, you need to send a 1099, **even if they are a corporation**.

Because of the alarming increase in **Identify Theft**, we are required to confirm identities of our clients. **All** clients will be required to show **State issued picture ID and social security card** and we will need **social security cards** for all dependents on your tax return. **New** dependents we will need **birth certificates** also. If we got this from you last year, we only need to update if your ID expires. The IRS is requiring us to put the ID number in before we can file the return this year. **Filing without the ID number will delay refunds.**

Phone and e-mail scams-The IRS or the State of MN **will not contact** you by phone or e-mail unless you have contacted them first. They will not demand payment over the phone. There are several scams of people impersonating the IRS this way. Do **not give out your personal information** unless you can verify who you are talking to by calling them back or other methods.

Due to the need to **increase security** of your financial data, we have a **secure link** that we can e-mail you or we can set up an account for you to log into to provide us your data electronically. If you prefer **not to make an appointment**, you can **scan and send** us all your tax papers and we can complete your tax return. Please **do not** send your documents through regular e-mail.

Remember to visit our **website, www.pinetax.com** for the newsletter, engagement letter, tax organizer, farm worksheet and other useful information **to download**. These forms can be found on the website under the tab, **Forms**. There is also a copy of the farm worksheet and tax organizer in the front of last year's return.

Please provide us with your **correct mailing address, telephone numbers, bank account for direct deposit (if changed) and e-mail** address when you provide us with your tax information this year.

The engagement letter needs to be signed before we can begin the tax return. You can get a copy from our website or from the office. If the return is a joint return, we will need **both signatures** prior to starting. If one party is not coming to the tax appointment or you are sending in/dropping off your taxes, please **include the signed engagement letter**. Before we can electronically file your tax return, we will also need both signatures on the electronic filing form.

Due to the mass amounts of IRS letter correspondence, we may have to start charging a fee depending on the amount of time spent handling these letters. If the reason for the letter is our error, we will continue to respond for no fee. Please continue to bring any letter you receive from the IRS and any of the state revenue departments in for us to see.

Again this year, we offer the option of paying with debit or credit cards. Because of this option, we would appreciate **payment at the time** your taxes are completed.

Appointments are booked on a first come first serve basis, so please call early! Elliott, Joyce and Richard will be doing the booking this year. Lois, Sandy, Dawn, Elliott and Angie will be writing taxes. If you would like to drop off, send electronically or mail your papers, please include your phone numbers and e-mail address so we can reach you.

Please remember to **refrain from wearing perfumes and colognes** again this year. Lois keeps improving, but strong odors still bother her.

Thank you for your years of loyalty to us. We appreciate your confidence in us and are looking forward to seeing you this year.

Sincerely,

Lois Kunze, Enrolled Agent, RAP, Dawn Golly, Enrolled Agent, RAP and Angela Charchenko, CPA, Enrolled Agent

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