



House Tax Committee

January 24, 2019

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Mission/Vision/Values

Mission

Working together to fund Minnesota's future.

Vision

Everyone reports, pays, and receives the right amount: no more, no less.

Values

Integrity, Respect, Excellence, and Accountability



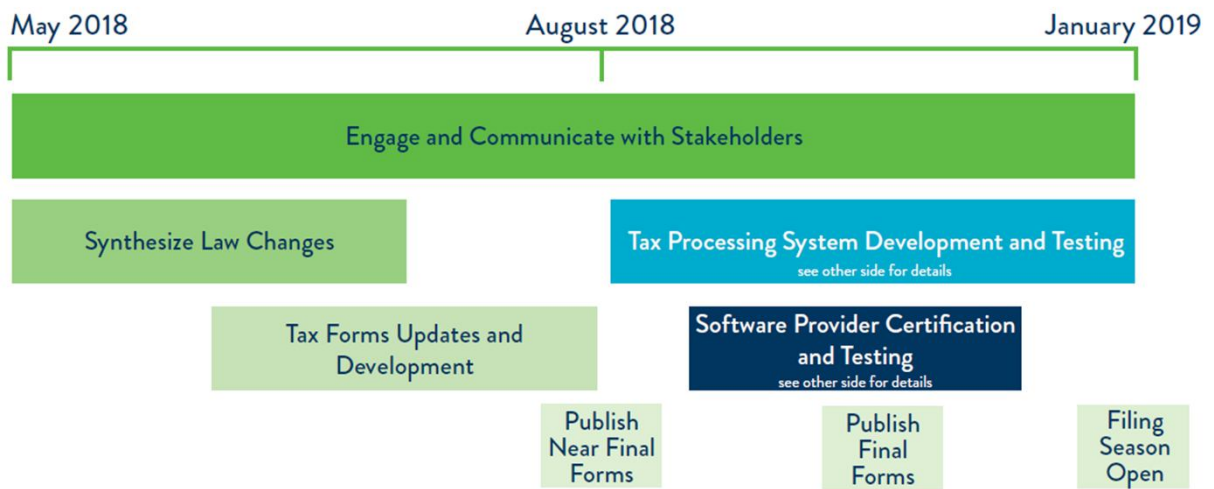
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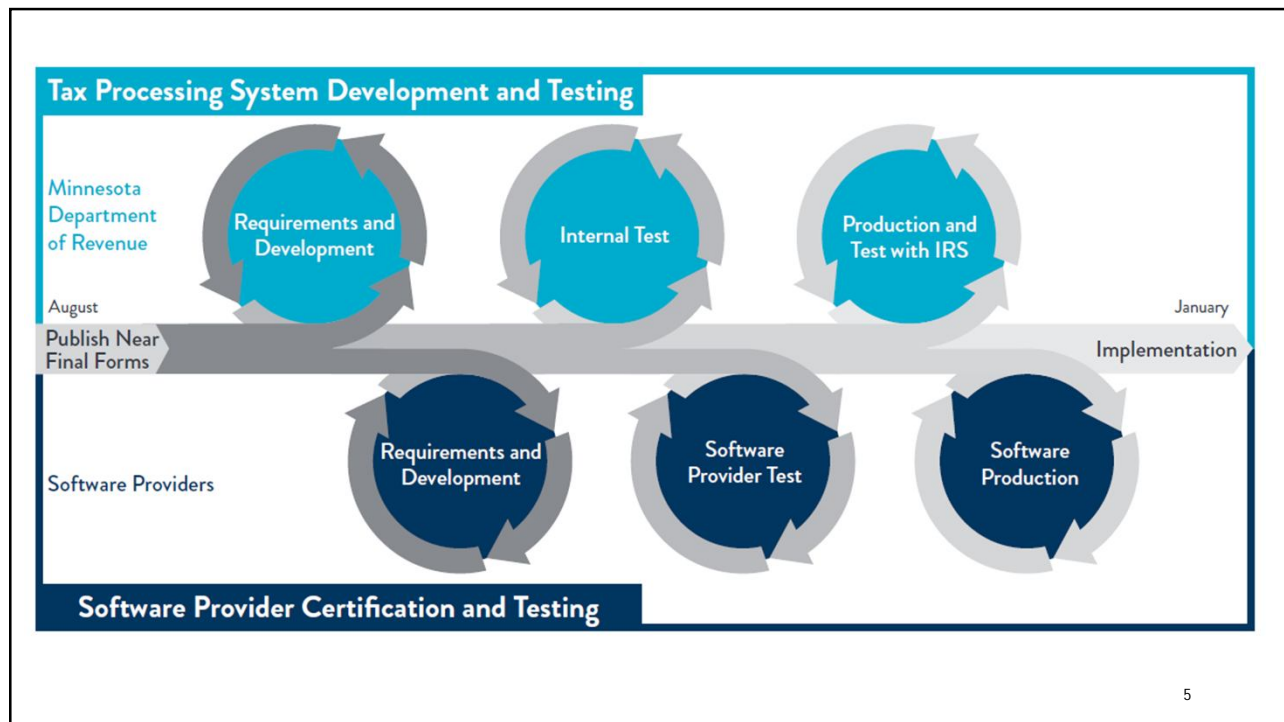


Filing Season Update

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Process to Update Tax Filing Systems





Revenue's Priorities

- Minimize impact to customers
- Support voluntary compliance
- Assist taxpayers and preparers
- Protect integrity of the tax system

Key Changes

- 2018 Form M1 starting point: Federal adjusted gross income (FAGI)
- Election to Itemize Deductions
- Personal Exemptions
- Standard Deduction

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FAQ: Standard Deduction

Filing Status	Standard Deduction Amount
Single and Married Filing Separately	\$6,500 + \$1,600 if blind + \$1,600 if 65 or older
Married Filing Jointly and Qualifying Widower	\$13,000 + \$1,300 for each spouse if blind + \$1,300 for each spouse if 65 or older
Head of Household	\$9,550 + \$1,600 if blind + \$1,600 if 65 or older
Dependent on another return	Larger of \$1,050 or Earned Income + \$350, up to standard deduction for filing status

11/29/2018

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2018 Income Tax Forms Overview

- Schedule M1CAT, Casualty and Theft
- Schedule M1MOVE, Moving Expenses
- Schedule M1SA, Minnesota Itemized Deductions
- Schedule M1UE, Unreimbursed Employee Business Expenses
- Schedule LK, Like Kind Exchanges

2018 Income Tax Forms Overview



FINAL DRAFT 10/9/18



2018 Schedule M1NC, Federal Adjustments

Minnesota has not adopted the federal law changes made after December 16, 2016, that affect federal adjusted gross income for tax year 2018.

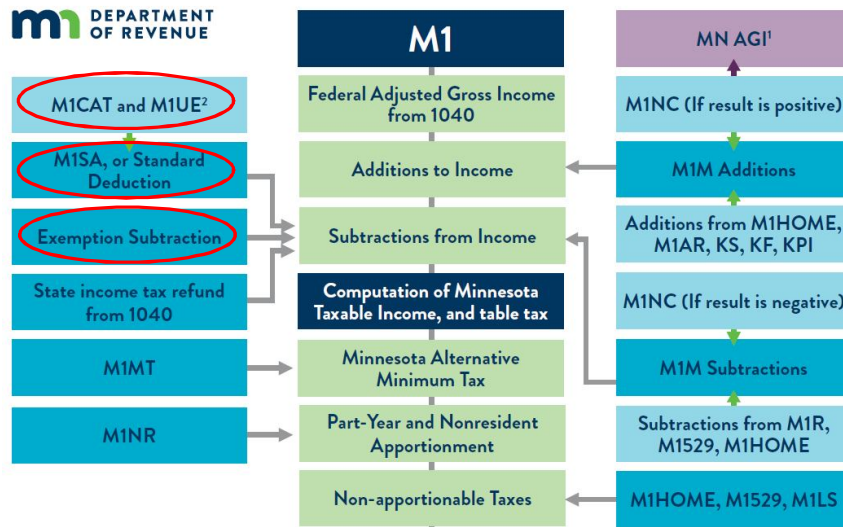
Your First Name and Initial _____ Last Name _____ Social Security Number _____

Before you complete this schedule, read the instructions which are on a separate sheet. Do not enter amounts in gray boxes.

Adjustments to federal adjusted gross income (AGI)	Additions	Subtractions
1 Bicycle commuting expenses reimbursed by your employer 1 ■		
2 Moving expense deduction (enclose Schedule M1MOVE) 2 ■		
3 Excess reimbursements received from your employer reported on line 8 of Schedule M1UE 3 ■		
4 Student loan forgiven due to death or permanent disability 4 ■		
5 Earnings from an education savings account used for K-12 education tuition expenses or rolled over to an ABLER account 5 ■		
6 Casualty or theft gain (enclose Schedule M1CAT) 6 ■		
7 Distributed earnings from an ABLER account attributed to excess contributions 7 ■		
8 This line intentionally left blank 8 ■		
9 Income from qualified stock received from your employer that is deferred for federal tax purposes 9 ■		
10 Adjustment for rule changes in capitalization provisions (see instructions) 10 ■		

DRAFT

2018 Income Tax Forms Overview



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Resources



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Business Tax Updates

FAQ: Cash vs. Accrual Accounting Method

Q: Will Minnesota allow my business to use the same small business method of accounting for Minnesota that is required for my business federally?

A: Yes. Generally, Minnesota statutes section 290.07, subdivision 2, permits the use of any accounting method that is regularly used by the taxpayer as long as that method clearly and fairly reflects the taxpayer's income.

2018 Business Nonconformity Schedules

- New this year
- Modeled after individual income tax non-conformity form

M4NC
M2NC
M2SBNC

KSNC
KPCNC
KPINC
KFNC

Business Nonconformity Schedules



Business Nonconformity Schedules

All Minnesota business taxes (fiduciary income, partnership, S corporation, and C corporation franchise) have new federal nonconformity schedules to report adjustments required by the Tax Cuts and Jobs Act (TCJA) and the Bipartisan Budget Act (BBA) of 2018. The new schedules are M4NC, KSNC, KPINC, KPCNC, KFNC, M2SBNC, and M2NC. The federal provisions requiring adjustment and the affected schedules are shown in the chart below.

Nonconformity schedule worksheets:

The instructions for the new schedules contain worksheets to calculate adjustments for the following items:

- Bonus depreciation(TCJA Sec. 13201)
- IRC Section 179 expensing(TCJA Sec. 13101)
- Interest deduction limitation(TCJA Sec. 13301)
- Excessive employee remuneration(TCJA Sec. 13601)

Additional schedules that accommodate nonconformity

- Schedule LK (New) - Like-kind exchanges of personal property (TCJA Sec. 13303) (Similar to former federal Form 8824)
- Schedule AMTI - Alternative Minimum Tax-Calculation of Income
- Schedule DIV - Dividends Received Deduction

Act Section	Read Instructions For	Affected Schedule						
		M4NC	KSNC	KPINC	KPCNC	KFNC	M2SBNC	M2NC
TCJA Sec. 11011	Qualified business income – 20% deduction						X	X
TCJA Sec. 11012	Limitation on business losses for taxpayers other than corporations						X	X
TCJA Sec. 13101	IRC Section 179 expensing	X	X	X	X			
TCJA Sec. 13201	Bonus depreciation	X	X	X	X	X	X	X
TCJA Sec. 13202	Luxury automobiles and personal use property - assets placed in service after Dec 31, 2017 – Modification to depreciation limitations	X	X	X	X	X	X	X



Sales Tax Update

Sales Suppression Software "Zappers"



Order	Order Type	Date	Time	Server	Subtotal	Tax	Total	Payment	Resp	AMDO	
<input type="checkbox"/>	141	Take Out	9/17/2016	9:55 PM	TANYA	29.90	3.18	33.08	Visa	2	0
<input type="checkbox"/>	140	Dine In	9/17/2016	8:41 PM	LALA	40.85	4.63	45.48	Mastercard	1	0
<input type="checkbox"/>	139	Dine In	9/17/2016	8:49 PM	Michelle	59.95	6.37	66.32	Visa	1	0
<input type="checkbox"/>	138	Wakin	9/17/2016	8:26 PM	MOLLY	13.95	1.48	10.80	Cash	0	0
<input type="checkbox"/>	137	Dine In	9/17/2016	8:18 PM	Michelle	44.65	4.77	49.92	Mastercard	1	0
<input type="checkbox"/>	135	Dine In	9/17/2016	7:32 PM	MOLLY	87.20	9.27	96.47	Mastercard	1	0
<input type="checkbox"/>	134	Dine In	9/17/2016	8:09 PM	Michelle	99.75	11.27	111.02	Mastercard	1	0
<input type="checkbox"/>	133	Dine In	9/17/2016	8:04 PM	Michelle	72.80	8.01	80.81	Cash	1	0
<input type="checkbox"/>	132	Dine In	9/17/2016	7:31 PM	Michelle	23.90	2.54	26.44	Visa	1	0
<input type="checkbox"/>	131	Dine In	9/17/2016	7:22 PM	Michelle	28.95	3.25	32.20	Cash	0	0
<input type="checkbox"/>	130	Dine In	9/17/2016	7:46 PM	MOLLY	33.85	3.60	37.45	Visa	1	0
<input type="checkbox"/>	129	Dine In	9/17/2016	7:43 PM	LALA	49.70	5.28	54.98	Visa	1	0
<input type="checkbox"/>	128	Take Out	9/17/2016	7:41 PM	Brook	25.25	2.68	27.93	Visa	1	0
<input type="checkbox"/>	127	Dine In	9/17/2016	7:36 PM	MOLLY	32.35	3.68	36.03	Visa	2	0
<input type="checkbox"/>	126	Dine In	9/17/2016	7:34 PM	LALA	52.30	5.56	57.86	Cash	1	0
<input type="checkbox"/>	124	Dine In	9/17/2016	7:31 PM	Michelle	28.95	3.07	31.92	Visa	2	0
<input type="checkbox"/>	123	Take Out	9/17/2016	7:31 PM	SOLA	23.40	2.49	25.89	Visa	0	0
<input type="checkbox"/>	122	Dine In	9/17/2016	6:34 PM	Sunny	66.80	7.10	73.90	Mastercard	0	0
<input type="checkbox"/>	121	Dine In	9/17/2016	7:22 PM	Michelle	34.90	3.80	38.70	Cash	0	0
<input type="checkbox"/>	120	Dine In	9/17/2016	7:15 PM	MOLLY	51.80	5.50	57.30	Mastercard	1	0
<input type="checkbox"/>	119	Take Out	9/17/2016	7:18 PM	Brook	27.95	2.97	30.92	Cash	0	0
<input type="checkbox"/>	118	Dine In	9/17/2016	7:10 PM	LALA	37.30	3.96	41.26	Visa	1	0
<input type="checkbox"/>	117	Dine In	9/17/2016	7:06 PM	Sunny	29.90	3.18	33.08	Cash	1	0
<input type="checkbox"/>	115	Dine In	9/17/2016	7:03 PM	LALA	34.10	3.62	37.72	Mastercard	2	0
<input type="checkbox"/>	114	Dine In	9/17/2016	7:02 PM	Michelle	74.30	8.06	82.36	Mastercard	1	0
<input type="checkbox"/>	113	Dine In	9/17/2016	7:01 PM	Michelle	46.85	4.98	51.83	Visa	2	0

Impacts of *Wayfair* Decision

The *Wayfair* decision affects:

- **Remote Sellers:** Businesses that sell products or services into Minnesota or another state – online or by mail, telephone, etc. – but have no physical presence in that state.
- **Marketplace Providers:** Businesses that facilitate a retail sale – whether they receive compensation or not – by both:
 - Listing or advertising the seller's products.
 - Processing customer payments, directly or through a third party.

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Impacts of *Wayfair* Decision

Wayfair also impacts Minnesota sellers in three ways:

- **Selling through Marketplace Providers**
- **Selling to locations outside of Minnesota**
- **Sourcing local sales tax**

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Resources

Sales and Use Tax
Share
Text Size **A** **A** **A**
Printer Friendly

File and Pay
What's New
Tax Information
Letters and Notices
Resources

Do you make online sales? [Read about a court case that could impact you.](#)

[Subscribe to Sales and Use Tax Updates](#)

- Update for Remote Sellers
- Update for Marketplace Providers
- Admissions – Taxation of Room Rentals
- Real Property Definition
- Vacation Home Rentals

- Local Governments Exemption
- Nonprofit Exempt Status Update Project
- New Local Taxes
- Gambling Devices
- Tickets Sales and Admissions

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Resources

Sales Tax Rate Calculator

Enter **either** of the following to find a Minnesota sales tax rate:

- Address, apartment or suite number (if applicable), and city
- Nine-digit ZIP code – **You must use a valid nine-digit ZIP code to get accurate results**

Address: Apt/Suite/Other: City: State: MN

ZIP Code: 55014 - 3850 Effective period: (optional) Dollar amount: \$

(Click "reset" button to reset fields and enter another zip code)

The Sales Tax rate for 55014-3850 is: 7.125% (Apr-Jun 2018)
(MN State=6.875%, Anoka County Transit Tax=0.25%)

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Resources

Sales Tax Rate Spreadsheet

DEPARTMENT OF REVENUE

Look Up a Minnesota Tax Rate

Use this spreadsheet to determine the tax rate for sales and purchases made in Minnesota.

ZIP Code	Applicable Local Taxes	Rate 9/1/2018
55005-0001	State, Anoka Transit	7.125%

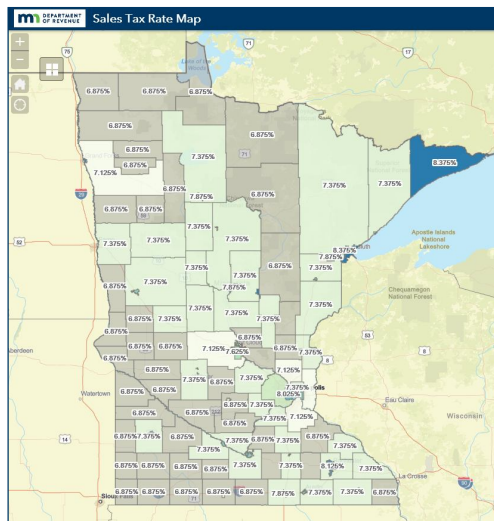
How to Use This Spreadsheet
 We update this spreadsheet quarterly. Be sure to use the right version for the date of the sale or purchase to find the correct sales tax rate.

1. Enter a nine-digit ZIP code in the left column (above). Do not enter any dashes. You must use a valid, nine-digit ZIP code. [Find a ZIP code based on mailing address](#) (U.S. Postal Service website).
2. Press the Return key.
3. The tool will list the local taxes that apply and resulting tax rate.

Note: You may also need to add special local taxes to this rate; see below for details.

Resources

Sales Tax Rate Map



Find the rate

Address Search: 55042, MN, USA

Effective Period: Oct-Dec, 2018

Sales Tax Results

Address Returned: None

Local General Sales & Use Tax rate(s) at this location

State Tax: None

County Tax: None

City Tax: None

Other Tax: None

Total Sales Tax Rate: None

[Recalc Address](#)

Calculate the rate

(Optional) Dollar Amount: x None

[Calculate](#) [Reset](#)

Special Local Taxes

This result does not include special local taxes (lodging, entertainment, liquor, admissions and restaurant taxes) if special local taxes apply, add them to the rate provided above.

[Exit Sheet HTML Minnesota Special Local Taxes](#)

[Download Results](#)

Certified Service Providers (CSP)

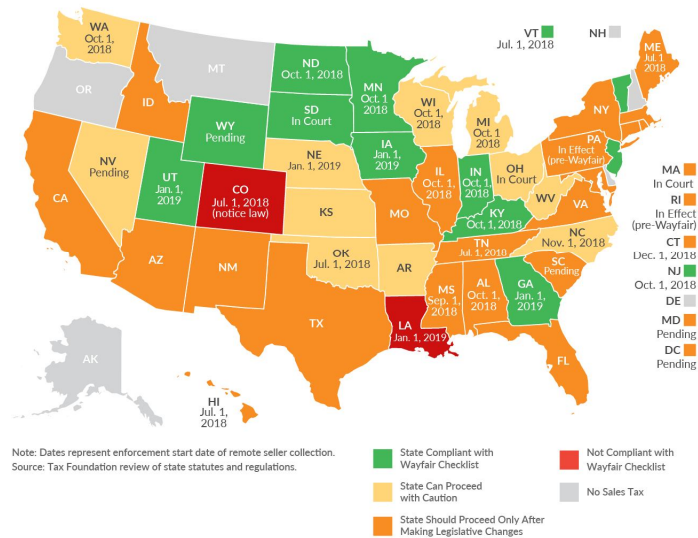
CSP software interfaces with the seller's software to:

- Determine taxability of goods and services
- Apply the appropriate tax rate
- Maintain a record of the transaction

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Is Your State Prepared to Tax Internet Sellers?

Status as of August, 2018



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Minnesota Department of Revenue Updates

Revenue beta website now available!

- Jan. 24 – Feb. 28
- Enhancements include:
 - Improved design and content
 - Easier navigation
- Gathering user feedback through online survey and usability testing



Free Income Tax Filing

Who qualifies?

- You may qualify for free electronic filing if your Adjusted Gross Income (AGI) is \$66,000 or less.

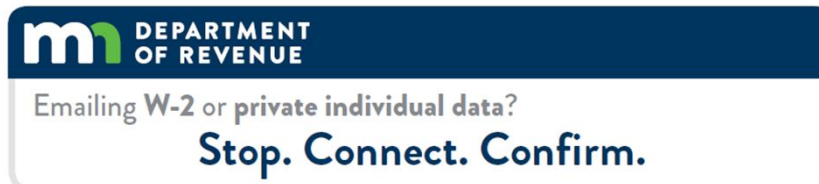
Why file electronically?

- You will be using the most up-to-date forms and instructions.
- It takes you step-by-step through the filing process.
- It saves you from having to take the time to mail in your return.

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Protecting Taxpayer information

- ID Theft and Refund Fraud
- Security and Training
- Securing taxpayer information is everyone's job.



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Thank you

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