

income tax update

FALL
2017

Clients and Friends,

The holidays are around the corner. We hope you have had a great summer and fall. So far, we are starting to have an old-fashioned winter. Several of us are hoping to be ice fishing soon!

We are following a major Tax Bill currently being debated in Congress. If this bill passes (which it sounds like it will), there will be significant tax law changes—some of the biggest changes since 1986! See the article in this newsletter that explains some of the potential changes.

Be sure to watch your mailbox. Your tax appointment information will be sent out the first week of January. This will include your tax organizer. Please complete this as it helps to summarize your tax information. It also contains many of the items that are deductible. We do put all of our organizers on our website as well.

As always, if you have any questions, please contact us. We hope you have a Merry Christmas, Happy Holidays, and look forward to seeing you this tax season.

Anakkala Berns PLLP

Tax Reform

The Tax Cuts and Jobs Act is a bold, pro-growth bill that will overhaul our nation's tax code for the first time since President Reagan's historic tax reform in 1986. The bill is currently being debated in Congress. Although this is NOT law yet, here are some highlights that could become law. If passed, these would become effective in 2018.

Individuals:

- Tax brackets go from seven brackets to three: 12%, 25%, and 35%
- Increases standard deduction to \$12,000 per individual and \$24,000 for couples essentially doubling the current deduction
- Eliminates personal exemptions
- Eliminates many itemized deductions
- Expands Child Tax Credit
- Eliminates Alternative Minimum Tax (AMT)
- Repeals the Death Tax

Businesses:

- Lower the Corporate tax rate to 20%
- Limits maximum tax rate for business income to 25%. It is unclear if this special rate will apply to service companies
- Eliminates Domestic Producers Deduction
- More income from an S Corp might become subject to self employment tax

With the prospect of new lower individual tax rates on the horizon for 2018, the average taxpayer or business owner should generally accelerate deductions to 2017 and, perhaps, delay income until 2018.

on the flip side

- Audits on the Rise?
- Sales Tax Changes for 2018
- Drivers Licenses Needed

New Minnesota Tax Laws

- **Beginning Farmer Incentive Credit** - In 2018, owners of agricultural assets who sell or rent their assets to beginning farmers in MN may be eligible for a tax credit. Beginning farmers may be eligible for a credit as well.
- **Teacher's Master's Degree Credit** - MN teachers enrolling in an eligible master's degree program in their licensure field after June 30, 2017 may be eligible for a nonrefundable credit up to \$2,500 in the year they complete the program.
- **First-time Homebuyer Savings Account** - Beginning in tax year 2017, individuals may contribute to a first-time homebuyer savings account. The account may be used to save for eligible expenses for a qualified beneficiary. Individuals may subtract interest earned on the first-time homebuyer savings account from their Minnesota taxable income.
- **529 Plan Credit** - Minnesota residents that contribute to a Section 529 College Savings Plan may be eligible for a nonrefundable credit up to \$500.
- **Social Security Benefit Subtraction** - Minnesota taxpayers who receive Social Security or Railroad Retirement benefits may qualify for a subtraction from income on their state return.
- **Student Loan Credit** - Minnesotans who make payments on their postsecondary education loans may qualify for a nonrefundable credit up to \$500. For married couples, each spouse may qualify for this credit.

Drivers Licenses Needed

New for this year, we will need a copy of your Drivers License. This is part of increased security rules established by the IRS. Please bring this with you at tax time or stop in at our office.

The quick write off on equipment is

\$510,000

2017
mileage
rate
53.5¢

Sales Tax Changes for 2018

Starting January 1, 2018, Morrison County will have a Transit Sales and Use tax of .5%. This is a tax in addition to the normal sales tax. Businesses charging sales tax should add this .5% to the existing sales and use tax rate. This changes the sales tax rate from 6.875% to 7.375%. Stearns County's will have a .25% rate change. For other counties, please contact our office.

MINIMUM WAGE AND OVERTIME FOR 2018

Starting January 1, 2018, Minnesota has some new labor laws. The minimum wage for Minnesota Small Employers is \$7.87/hour. For Large Employers, minimum wage is \$9.65. A small employer is one that has annual gross receipts under \$500,000.

Overtime must be paid after 48 hours worked per week for Small Employers and 40 hours per week for Large Employers. Small Employers that sell goods across state borders or take credit cards must pay overtime after 40 hours.

Anakkala Berns PLLP

63 First Ave NE
Little Falls, MN 56345

320-632-2938

13432 Elmwood Drive,
Suite 8
Baxter, MN 56425

218-824-1860

The gift tax exclusion is **\$15,000**

Audits on the Rise?

We have seen an increase in audits this past year with some of our clients. These have been IRS, Minnesota Income, and Minnesota Sales Tax. We're not sure if this is a trend or just an unlucky year. Remember to save your receipts, document all non-income deposits (such as loan proceeds or owner contributions) and maintain mileage logs. If you have any questions about record keeping, please contact us.

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