



# The MAPAN

*“MAPA assists members in achieving success in the profession of accounting and taxation through the advocacy of practice rights and the promotion of high standards in ethics, education, and professionalism.”*

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## President’s Message



Hello! I hope you are all ready for the busy season. For this newsletter article, I wanted to introduce to you a new member benefit that MAPA has to offer. Below is the information on the ‘Ignite Advocacy’. Please let MAPA know if you have any questions regarding the new Ignite Advocacy program as presented below from Ewald Consulting.

~ Eric Goddard, MAPA President

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## Ignite Advocacy – Ewald Consulting

Ignite Advocacy is a software tool the Minnesota Association of Public Accountants will be using to help you more easily engage directly with your state senators and state representatives and allow us to more easily engage and direct messages to key decision-makers at the Minnesota legislature. With Ignite Advocacy, MAPA will provide you tailored messages to send to your state representative or state senator. The system will allow you to personalize any of these messages or you can send the message as already crafted by us.

During the 2022 legislative session, we will be reaching out to you during critical points in the legislative session when action is needed by you on a issues of interest to MAPA. Such communications will come from MAPA with any of these calls to action embedded in those communications.

The number and frequency of these calls to action will be based on the legislative deadlines and as issues arise during the legislative session. We will coordinate these efforts with our lobbyist Troy Olsen but sent directly from our traditional methods of communication.

Stay tuned for more information on this new member benefit!

Find us on Facebook & Instagram!



Minnesota Association of  
Public Accountants

## Executive Director's Report • Erin Nebben, EA



Greetings! I hope this newsletter finds you all doing well and feeling as ready as can be for tax season. MAPA was able to offer 5 opportunities for the 1040 Tax Update this year, and I hope you were all able to take advantage and join us for one (or more). We are busily working on the 2022 schedule, and once we get that confirmed it will be posted on the website.

In April, you will be receiving your membership renewal packet. The MAPA membership year goes from May 1st – April 30th. So, please remember to renew your membership. We are always working on adding to our seminar calendar and membership benefits. If you have any suggestions on what you would like MAPA to offer, please let us know. Your input is always very important to us.

As our President, Eric Goddard, presented in his article, we are very excited about the new 'Ignite Advocacy' member benefit to be able to reach out to our representatives in the legislature. It's important for your voice to be heard, and this is a great opportunity for our members to be the voice. More information will be sent out as a 'Member Alert' email from MAPA.

Have you ever thought about being a part of the behind the scenes at MAPA? Volunteerism is the backbone of our organization. Without our volunteers, we would not be able to meet the needs of our members. If being a part of a committee or serving on the MAPA board interests you, please contact me at the MAPA office. Our next Annual Meeting will take place in June 2022 alongside the election and installation of new officers. Spring of 2022 is the perfect time to start giving back to YOUR organization.

I hope that you all have a successful and healthy tax season. Please reach out to me at the MAPA office if you have any questions regarding your membership benefits, the 2022 calendar, if you are interested in volunteering, or if you have any other comments or suggestions.

### FOR SALE: TAX PRACTICE

Well-established solo tax preparation and tax planning practice located in NW suburbs, with clients throughout MN and several other states. Practice is mostly 1040 with some 1041, 1065, and 1120S. Owner and staff are willing to work with buyer for a smooth transition. Text 612.270.4118 to initiate discussion of additional details.

### WANTED: ACCOUNTING PRACTICE

Established expanding CPA firm specializing in small business looking to acquire accounting and tax practices in the Minneapolis/St. Paul metro area. If you have a write-up practice for small businesses, I am very interested. Please call Gary at 952-484-4343 or email: ghaworth@haworthco.com

## NSA State Director • Heidi Baublitz, CPA



### NSA Call for Speakers 2022

NSA is seeking tax & accounting experts to share their knowledge and expertise for our 2022 webinars and events. NSA

is committed to providing high-quality education to our members and industry professionals. This is an excellent opportunity to use your voice and our platform to become a thought leader in the profession. All interested professionals are encouraged to submit a proposal.

The National Society of Accountants joins industry stakeholders in calling upon the IRS to implement measures to reduce unnecessary burdens to both taxpayers and tax professionals during the 2022 tax filing season. In the letter sent to IRS Commissioner Charles Rettig and Treasury Assistant Secretary of Tax Policy Lily Batchelder, NSA and coalition partners urged the IRS and Treasury to take steps to mitigate the challenges the Coronavirus pandemic has created for taxpayers, tax professionals and the IRS. The coalition noted that many taxpayers and tax professionals continue to struggle to reach the IRS by phone and are subsequently unable to resolve straightforward issues.

The letter cites the Coronavirus pandemic as the cause of an unprecedented number of unprocessed returns as well as numerous mistargeted notices, liens and levies sent from the IRS.

2022 tax filing season begins January 24; IRS outlines refund timing and what to expect in advance of April 18 tax deadline

The January 24 start date for individual tax return filers allows the IRS time to perform programming and testing that is critical to ensuring IRS systems run smoothly. Updated programming helps ensure that eligible people can claim the proper amount of the Child Tax Credit after comparing their 2021 advance credits and claim any remaining stimulus money as a Recovery Rebate Credit when they file their 2021 tax return.

“Planning for the nation’s filing season process is a massive undertaking, and IRS teams have been working non-stop these past several months to prepare,” said IRS Commissioner Chuck Rettig. “The pandemic continues to create challenges, but the IRS reminds people there are important steps they can take to ensure their tax return and refund don’t face processing delays. Filing electronically with direct deposit and avoiding a paper tax return is more important than ever this year. And we urge extra attention to those who received an Economic Impact Payment or an advanced Child Tax Credit last year. People should make sure they report the correct amount on their tax returns to avoid delays.

I wish all of you a smooth and prosperous tax season. I’m afraid it will be another challenging year.



## Peer Review • Tom Madsen, CPA

It can be a struggle for small accounting firms to keep up with the constant changes to accounting and auditing standards, especially in years when there are so many tax law changes.

To help, I've summarized some common findings from recent peer reviews and potential items to consider on engagements in the future:

### Auditing

- ◆ Risk assessment should be done at the assertion level for significant audit areas, and there should be linkage between your risk assessment and your audit procedures. Unless you are performing control testing, control risk should be assessed at high.
- ◆ Be aware of changes to reports, engagement letters, etc. due to SAS 134-140.
- ◆ Document the impact that COVID may have on your client's internal controls and how this affects your risk assessment and audit procedures.
- ◆ Understand and document I.T. risks, including access to accounting records and banking.
- ◆ Document your client's skills, knowledge and experience to oversee any nonattest services you are providing (i.e., financial statement and tax preparation).
- ◆ Document audit procedures related to revenue recognition (ASC 606).
- ◆ Be sure to follow developments from the proposed quality management standards, as this could significantly affect your firm's existing system of quality control.

### Financial Statement Presentation

- ◆ Consider disclosing uncertainties due to COVID when presenting notes.
- ◆ Consider revenue recognition (ASC 606), and consult a disclosure checklist or sample disclosures to ensure that all required items are disclosed when presenting GAAP basis

financial statements.

- ◆ PPP loan forgiveness is a noncash item that should be reflected as such on the statement of cash flows.
- ◆ Familiarize yourself with the lease standard (ASC 842), and inform your clients about how this will affect their GAAP financial statements. Start having them compile the necessary information.

### SSARS - Reviews, Compilations and Preparations

- ◆ SSARS 25 changes the review report to include a reference to the accountant's responsibility to be independent and explicitly requires determining materiality in a review.
- ◆ Clearly document your expectations when performing analytical procedures for reviews.
- ◆ Consider switching to modified cash basis, tax basis, or FRF for SMEs if your client doesn't benefit from GAAP accounting and disclosures related to revenue recognition or leases.
- ◆ If your firm only performs compilations, consider switching to only performing preparation engagements, which would no longer require a peer review.
- ◆ For preparation engagements, make sure you have an engagement letter and that the financial statements indicate that no assurance is provided and substantially all disclosures have been omitted (if applicable), along with any other known GAAP departures, as a footer on the face of the financial statements.

This list is by no means all-inclusive but is meant to provide you with some example of items to consider on your engagements in the future. Have a great busy season!



## What's New at Revenue • Minnesota Revenue



As representatives of taxpayers, we rely on the MAPA community to help our customers meet their tax obligations. Thank you for your hard work and dedication. We also rely on the high standards and ethics you bring to your work. As we begin a new year and new tax season, it's a great time to [review the standards of ethics and conduct for taxpayer representatives](#).

With tax season opening soon, be prepared and updated with the latest law changes:

- [See Current Minnesota Tax Law Changes on our webpage](#)
- [Subscribe to our Tax Law Changes email list](#)

### Tax Law Changes and Updated Forms

We continue to adjust 2020 Minnesota returns impacted by the tax law changes made to the treatment of Unemployment Insurance (UI) compensation and Paycheck Protection Program (PPP) loan forgiveness. As of January 7, we've completed 530,000 out of 542,000 total and plan to complete adjustments by February.

We have updated Minnesota tax forms and instructions for these years. Be sure you [use the updated forms](#) and instructions to file or amend for these years.

### Nongame Wildlife Fund

As a tax preparer, you're required to ask clients about the [Nongame Wildlife Fund](#) check-off on tax returns. Taxpayer donations account for more than 80% of the funding for nongame wildlife programs run by the Minnesota Department of Natural Resources (DNR). This fund supports activities such as habitat protection, conservation research, and coordinating volunteers. Minnesota Revenue partnered with the DNR this year to increase awareness of this statutory requirement.

### Pass-Through Entity Tax Webinars

Revenue's Corporate Franchise Tax Division is offering webinars on the new pass-through entity (PTE) tax from January through September. These webinars will provide basic information on the PTE Tax election, walk through an example, and allows time for your questions. For more information, see [Business Income Tax Webinars](#) on our website.

### New Local Sales, Use, and Excise Taxes

Roseau County will implement a new 0.5% transportation tax on sales and purchases on or after January 1, 2022. Revenues will fund transportation projects within the county.

To stay up-to-date on new local sales, use, and excise taxes, see our [Local Sales Tax Information page](#).

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## Cost Segregation • End of Year Tax Strategies You Can Take to the Bank

*A version of this article was first published in the December 15, 2021 issue of the Self Storage Report, the official newsletter of the Texas Self Storage Association*

By [Warren Dazzio](#)

The news out of Washington is that taxes will be rising again. Initial drafts and bills are just beginning to be released. We've seen numerous variations at this point and not nearly as bad as we once thought. Individual taxes and capital gains look to stay the same. The corporate minimum looks to go up along with taxes on certain types of estates and trusts. These and many more tax increases are on the table. What can building owners do to plan while the administration and congress jockey for position? Here are a few strategies that owners can take to the bank and help reduce their burden come year end.

### Did you renovate or remodel in 2021?

A partial asset disposition (PAD) allows an owner to write down the basis of items that were removed from a building and disposed of. Think of doors, HVAC, a roof, even sheetrock and concrete. Typically building owners capitalize the whole renovation when some portion of the demo or disposal can often be expensed. Building owners can receive a tax deduction in the same tax year as the renovation but it is a "use it or lose it" opportunity. Fail to capture a PAD in the current tax year and the opportunity for the write down is lost permanently. This strategy is a true tax savings and not a deferral as it results in a tax savings at the time of sale.

**Tax Tip:** Any renovation project you are making should be viewed in the lens of taxes as well as facility and materials. This can be applied to most renovation projects like replacing doors or a roof. CSSI's Energy Services division applies this strategy to its LED projects.

### Have you been holding out on repairs that need to be made?

The rules are very specific on whether expenditures pertaining to a building must be capitalized as an "improvement" or expensed as a "repair." A repair of 30% or less of a building system can be expensed. Use this ratio test to maximize what you can

expense. For example, let's say you have a lighting and electrical system worth \$250,000. This includes the wiring, outlets, lights, circuit boxes and exit and emergency lighting. Suppose you need to repair some of the electrical system. You can spend up to \$75,000 (30%) and still expense that as a repair because your building system was defined. Spend more than \$75,000 and you must capitalize the expenditure as an improvement. The good news is that it could qualify for bonus depreciation or section 179. If it needs to be capitalized, you may be able to deduct the full amount in the current year.

**Tax Tip:** Time your renovations to coincide with the increase in taxes and thereby reduce more taxable income. You may be able to deduct the full renovation or expense the items that were thrown in the trash and reduce your taxable income.

Recent tax laws provide incentives that include 100% bonus depreciation and Section 179 which allow you to deduct the full amount of certain purchases from your gross income today as opposed to doing so over numerous years. The result is more depreciation to offset taxable income.

### What's the difference between Section 179 and bonus depreciation?

One hundred percent bonus depreciation includes any item defined as a 20-year asset or less that is bought or built after September 27, 2017. This could include a piece of equipment, or a part of a building accelerated in a Cost Segregation Study. Qualified Improvement Property (QIP) was recently defined and is another type of improvement that qualifies for Bonus. It is an interior, non-structural improvement placed in a commercial building that was already in service. In our example above, a repair to an electrical system would also qualify for QIP. If they spent \$90,000 and had to capitalize the project, that \$90,000 would qualify for bonus and be able to be deducted in the first year. A building being depreciated straight-line over 39 years does not qualify for any bonus depreciation. When a Cost Segregation Study is applied, parts of the building might qualify for accelerated depreciation and 100% bonus depreciation. If QIP is involved, that number grows significantly.

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## Legislative Update • Troy Olsen

Legislators are busy this legislative session as they tackle several big issues. The issues range from what to do with the historic state budget surplus, how to allocate over \$1 billion in federal American Rescue Plan funds, replenishing the state unemployment trust fund and determining new legislative maps. All of this amid ongoing COVID policies, 2022 as an election year, and also a redistricting year.

With news of the historic budget surplus, leaders from both political parties have announced some of their priorities for the surplus. With divided government it is no surprise there are differences of opinion on how to address the budget surplus. Governor Walz and House and Senate Democrats want funding to pay for the cost of a possible paid family leave law and help those hit hardest by the pandemic. They have also highlighted investments in E12 education. Republicans have highlighted tax cuts and replenishing the unemployment trust fund as their priorities. The governor has also indicated support for tax cut proposals as well as repayment of the unemployment trust fund.

### Historic \$7.7 Billion State Surplus Projected

The Department of Minnesota Management and Budget announced early December that the state has a \$8.5 billion projected surplus. This in addition to \$1.1 billion in federal COVID-19 relief funds directed to Minnesota that have yet to be designated for a specific purpose.

This projected surplus is attributed to growth in income tax collections, consumer spending, and corporate profits over FY21. Also contributing to the surplus are slightly lower state spending estimates in education, health and human services and other areas.

The strong budget forecast also triggers a statutory allocation of funds to the state's budget reserve, officials noted, increasing the reserve balance to more than \$2.6 billion. Minnesota statutes require the surplus first be allocated to replenish certain state accounts so \$870 million

went to state's budget reserve and \$111 million for the U.S. Bank Stadium Reserve fund off the top.

### Retirements

The [list of legislators](#) announcing they will not seek reelection continues to grow, with several legislators adding their names in January. Most notable January announcements include committee chairs such as:

- Rep. Rena Moran (DFL-) - House Ways and Means Committee
- Rep. Paul Marquart (DFL-Dilworth) - House Taxes Committee
- Rep. Jim Davnie (DFL-Minneapolis) - House Education Finance Committee
- Rep. Carlos Mariani (DFL-St Paul) - Public Safety and Criminal Justice Reform Finance and Policy Committee
- Sen. Bill Ingebrigtsen (R-Alexandria) - Senate Environment and Natural Resources Finance Committee

Expect additional legislators to announce they will not run for re-election, choosing to seek election to another office in 2022.

Are you contemplating increasing your legislative activity? If so, consider joining MAPA's Legislative Committee. Contact Erin Nebben for more details.

As always, please do not hesitate to contact me with questions and/or comments.

### Troy Olsen

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The Tax Cuts and Jobs Act of 2017 expanded the definition of Section 179 to include more than just equipment or vehicles. Section 179 now includes parts of buildings like roofs, HVAC, fire protection and alarm systems, and security systems if these improvements are made to non-residential buildings and begun after the building was placed in service for its intended use. Section 179 is an annual election that resets each year, but it does have certain spending

limitations. Spend too much, and you reduce the amount of Section 179 you can take. You can use either Bonus or Section 179 as you buy new assets in the future.

Contact Jodi Nielsen for more information or a free analysis 651-210-1921

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