

Minnesota Association of Public Accountants



# 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.”*

## President’s Message

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Hello Fellow MAPA Members!

I hope you all had a great tax season and are now taking some time for you self. You can’t help anyone if you don’t take care of yourself. I as president am giving you permission to do something for you. I have been taking my fitness serious lately by getting a workout in everyday that is my time and it has been the best. Any questions go ahead and reach out I would be happy to chat.

MAPA has had some big changes in the last few months with a new website. If you have not had a chance to check it out now so you have time to ask questions when we are not all in the middle of a very busy time. There are may new features with Glue-up that will add a benefit to you go ahead and take a look.

Are you ready for summer? I sure hope so. This is the time to reconnect with all that is important to you and to reorganize and refresh from that busy season. If you haven’t taken some time for yourself, do that now. Reflect on all that you accomplished. Think about what you can improve and how MAPA can help. Please take a look at the upcoming seminars. With the changes in how we now need to operate over the last couple of years, MAPA has more options with short 1 -4-hour seminars and we cover more topics.

Kind Regards,

Diane St. Sauver, President

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**JOIN US AT ARROWWOD RESORT & CONFERENCE CENTER FOR OUR ANNUAL MEETING JUNE 25-26!** Past Presidents Dinner Reception on Sunday evening, followed by the Annual Meeting beginning at 9AM on Monday June 26th! More details can be found on our website at [www.mapa-mn.com](http://www.mapa-mn.com), or reach out to MAPA at: [enebben@vividmanagementllc.com](mailto:enebben@vividmanagementllc.com)

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



Hello! I hope this newsletter finds you all doing well and having a much deserved break after the busy tax season. It's taken awhile to get this issue of the MAPAN out, as we have been busy working through the new membership and event platform, 'Glue Up', that many of you have already had the opportunity to experience. Our goal with the new platform is to be able to enhance your member experience with MAPA. There are less and less networking opportunities with the few in person events that we have. It's important to us that you have access and ability to view your membership account and interact with other members. You may ask, "what do we mean by interacting with other members?" Here are a few ways that you can interact with fellow members or event attendees:

- As a member, you will have access to the Member Directory on the website. Members can opt in or out of the directory. If you opt in, the more information, location, services provided, etc. the better!
- When you sign up for an event, you become a part of the 'Event Community'. In this community you can message the attendees as a whole or direct message an attendee. Another part of the 'Event Community' is the ability for MAPA to post important updates regarding the events. I am testing a few things out to make sure it's working, but my plan is to hopefully have this be the go to place for you to download your eBook, speaker slides and gather any other course information.
- When you are a member and have created your 'Glue Up' profile, you will also have the ability to gather others 'business cards' or send someone yours.
- There is much more we will be able to do, and I'm hoping that you will all see the value in this as much as we have already!

Not only have we revamped our website and platform, MAPA's calendar of events is FULL this year! This is a great year to take advantage of your member discount and register for classes. We have a lot on the calendar, and hope to continue to be able to offer this many classes. We will begin to rotate having a few classes in person vs a webinar format from year to year. For example, this year, we have 1041's for Trusts & Estates as a webinar, next year, we will offer that class in person. Also this year, we are simulcasting the Business Tax In Depth. That means, there will be cameras in the meeting room and people will be able to attend from the comfort of their home or come in person. Business Tax In Depth is one of the classes that we had a lot of requests for the webinar format last year. We hope that this option will be beneficial to those who choose to attend!

Stay tuned for more website and event updates via email. If you feel that you have not been receiving MAPA emails, please check your spam/junk folders and add the following emails to your safe senders list: [erin.nebben@mapa-mn.com](mailto:erin.nebben@mapa-mn.com) and [info@mapa-mn.com](mailto:info@mapa-mn.com)

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## Legislative Update • Troy Olsen

### 2023 Legislative Session Ends on Time

The Minnesota Legislature concluded its work on time and adjourned on May 22, 2023, after passing final elements of a \$72 billion two-year budget. Democrats who control the House, Senate, and Governor's office celebrated passage of an ambitious legislative agenda that ranged from legalizing adult use cannabis, paid family and medical leave, election changes, protecting abortion rights, new renewable energy standards, record tax cuts and increases in education and transportation funding.

Democrat legislators describe the bills passed during the legislative as "transformational" and "historic," while Republican legislators are critical that the legislative agenda increased the state budget from \$51 billion to \$72 billion, spent the \$17.5 billion surplus and raised taxes by nearly \$9.5 billion.

The legislature will reconvene on February 12, 2024.

### Taxes

The Omnibus Tax bill ([HF1938](#), Gomez/Rest) which passed the House and Senate on party-line votes has the distinction of being both the largest tax cut in Minnesota history ... and the largest tax increase in Minnesota history.

The bill includes \$3 billion in refunds, aids and credits during the 2024-25 biennium, but also raises revenue \$1 billion by increasing taxes on some multinational corporations and Minnesotans who make over \$1 million in adjusted gross income or take in over \$1 million in investment income.

Numerous changes include:

- A variety of changes to individual income and corporate franchise taxes.
- Numerous federal conformity provisions.
- Property tax changes.
- Adjustments to property tax aids, credits, and refunds.
- Sales and use taxes.
- Miscellaneous changes.
- Department of Revenue policy and technical changes

In addition:

- \$1.13 billion of the state's surplus will provide rebate checks of \$260 per tax filer and dependent. The rebates are capped at an income of \$75,000 per individual or \$150,000 for those married filing jointly.
- Exempts Social Security income from taxation for those making \$100,000 or less and reduces the tax on those making up to \$140,000.
- A one-time 20.6% increase in property tax refunds for

homeowners.

- \$300 million in one-time public safety aid.
- \$80 million increase in Local Government Aid.
- \$80 million increase in County Program Aid.

The bill also pays off the bonds for construction of U.S. Bank Stadium and authorizes 36 cities or counties to place local option sales tax proposals on their ballots.

A provision containing a new "worldwide combined reporting provision" that raised taxes an extra \$1.17 billion on certain corporations and a proposed creation of a 5<sup>th</sup> tier on Minnesota's income tax brackets were not adopted in the final bill.

### Sick and Safe Time/Paid Family Leave = \$1.5 Billion Payroll Tax

Business organizations such as the Minnesota Chamber of Commerce and NFIB strongly opposed legislative efforts to impose additional mandatory employee benefits on Minnesota job providers. Despite these efforts, "sick and safe time" and paid family leave employer mandates did pass the legislature and were signed into law by Gov. Walz.

[Safe and sick time](#), combined with a [new paid family leave](#) program are estimated to be funded by \$1.5 billion or more in new taxes while creating vast administrative burdens on employers.

Additional information on safe and sick time mandates include:

- Employers must offer 48 hours of paid time each year for illness, medical appointments, childcare or seeking help for domestic abuse.
- Mandate applies to both part-time and full-time workers.
- Employers who offer paid time off plans will not have to make any changes if their benefits meet or exceed the new requirement in the bill.
- Employees can carry over unused paid time off each year and bank a total of 80 hours.
- Failure to provide the benefit could result in a fine of up to \$10,000 per violation or for not providing documentation of their leave policy to the state.

A paid family medical leave program which passed the legislature and has been signed by Gov. Walz establishes a state-run insurance program mandating employers to provide workers with up to 20 weeks of paid time off annually to address family or medical issues.

Additional details include:

- 20 weeks of annual paid benefits.

- Time off can be used for bonding, family care, medical care related to pregnancy, serious health condition, qualifying urgent need, or safety leave.
- Modeled after Minnesota’s unemployment insurance fund.
- Creates a Family and Medical Benefits Insurance Division within the Department of Employment and Economic Development to manage the program.
- Funded by a new tax on employers and employees.
  - \* Premium rate would be 0.7% of the employee’s wages, at least half of which would be paid by the employer and the rest paid by the employee.
- \$648.3 million in “seed money” has been appropriated to start the program.
- Employers will be allowed to institute private plans and not be required to pay premiums into the state program if their private plan meets or exceeds all the same rights, protections, and benefits provided to employees under the state plan.

### Legalizing Adult Use Marijuana

Legislation legalizing [adult use of marijuana](#) passed the legislature and has been signed by Gov. Walz.

Key points include:

- Beginning Aug. 1, 2023, adults aged 21 and older will be allowed to possess or transport up to 2 ounces of cannabis flower, 8 grams of concentrate and 800 milligrams of edible product (including low-potency hemp-derived product).
- An adult may also possess up to two pounds of cannabis flower in a private residence.
- The legislation proposes that retail sales for adult use cannabis in Minnesota begin in the first quarter of 2025.
- Marijuana remains illegal under federal law, where it is still classified as a controlled substance.
- Cannabis cannot be used when operating a motor vehicle.
- The tax on cannabis will be 10% (including state and local sales tax)

Cannabis cannot be used or possessed in the following locations:

- Public schools or charter schools and school buses.
- State correctional facilities.
- In a location where the smoke, aerosol or vapor of a cannabis product could be inhaled by a minor.
- On federal property (such as courthouses, airports, and national parks).

### Tax Conformity Passes Early

The Minnesota Legislature moved quickly early in the legislative session to pass a \$100 million [bill](#) that closer aligns Minnesota state tax policy with federal tax law.

The bill was the first bill in 2023 to pass the House, Senate, and arrive at the governor’s desk after being fast tracked through the House and Senate Committee process. In a refreshing display of bipartisanship, this long overdue legislation passed 132-0 in the House and 67-0 in the Senate.

This update encompasses the following seven federal acts\*:

- The Further Consolidated Appropriations Act, 2020 (Public Law 11694), enacted on December 20, 2019.
- The Families First Coronavirus Response Act (Public Law 116-127), enacted on March 18, 2020.
- The Coronavirus Aid, Relief, and Economic Security (CARES) Act (Public Law 116-136), enacted on March 27, 2020.
- The Consolidated Appropriations Act, 2021 (Public Law 116-260), enacted on December 27, 2020.
- The American Rescue Plan Act (ARPA), (Public Law 117-2), enacted on March 11, 2021.
- The Infrastructure Investment and Jobs Act (Public Law 117-9), enacted on November 15, 2021.
- The Inflation Reduction Act (Public Law 117-169), enacted on August 16, 2022.
- The bill largely conforms to the changes in the above listed acts retroactively. A summary of the bill can be [found here](#).

### Looking Ahead to 2024

Legislation initiated by MNCPA in 2023 proposes to provide additional pathways to CPA certification and help to ease the shortage of CPAs the industry is experiencing. [HF 1749](#) (Huot) and [SF 1660](#) (Rasmusson) have bipartisan legislative support and will likely receive attention during the 2024 Legislative Session.

The bill proposes that to qualify for licensure, prospective CPAs must have either:

- 150 hours or 225 quarter hours of college plus 1 year of experience, or
- 120 hours or 180 quarter hours plus 2 years’ experience, or
- 120 hours or 180 quarter hours plus 1 year experience plus 120 hours of continuing professional education

## What's New at Revenue • Minnesota Revenue



Thank you for all your hard work helping Minnesotans accurately prepare and file their taxes.

With the tax filing deadline behind us, we're busy processing returns and issuing refunds. To date,

we've processed over 2.7 million individual income tax returns and issued over 1.8 million refunds for tax year 2022.

With the legislative session ending, we're watching closely for any changes to tax law. We'll share any law changes with tax preparers and the public on our website and through email updates.

Be sure to follow our [Tax Law Changes page](#) and [subscribe to our Tax Law Changes email list](#) to get the latest information.

### Help Us Build Future Tax Classes and Education

The Minnesota Department of Revenue would like to provide tax professionals with classes and education that are more relevant and impactful. To

do this, we need help understanding your current needs and how we can improve our delivery of Minnesota tax education.

Take our [five-minute survey](#) to share your thoughts on our educational offerings.

### Automated Debit Transactions

If you're scheduling automated debit transactions through your software to pay balances due on tax returns, remember it can take up to 10 days to process, especially during busy times such as the end of tax season. We consider the date the payment is scheduled as the payment date.

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

Litchfield will implement a new 0.5% sales and use tax. The tax applies to sales and purchases starting July 1, 2023. This revenue will fund the construction of a community wellness and recreation center.

Detroit Lakes is ending their 0.5% sales and use tax. The tax will no longer be applicable to sales and purchases after June 30, 2023.

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

### Minnesota State Board of Accountancy

The Board is considering [proposed Administrative Rules changes](#) that will affect the industry. The nature of the proposed rules of the Board of Accountancy is to amend its current rules to:

- Make changes necessitated by the addition of "retired status" and the removal of "automatic revocation" from Minnesota Statutes, chapter 326A;
- Clarify requirements for continuing professional education (CPE), including CPE requirements for status change;
- Modify the requirements for the composition of the peer review oversight committee;
- Modify validity dates for applications for individual and firm permits;
- Modify requirements related to providing verified experience for licensure;

- Modify requirements for notification by firms of changes to firm ownership, status with the Office of the Secretary of State to operate as a registered business entity, and dissolution/termination of the firm;
- Include minimum requirements for the retention of documents related to professional services other than audit; and
- Make other housekeeping updates.

Watch for additional information in future updates.

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

Troy Olsen

Government Relations Consultant

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## Peer Review • Tom Madsen, CPA

This is the time of year when many firms have completed their busy season and are starting to think about their upcoming peer review and/or annual firm monitoring and inspections.

Generally speaking, firms that perform audits of financial statements are required to have system peer reviews, while firms that do not perform audits but do prepare reviewed or compiled financial statements have engagement peer reviews.

Peer reviews are required every three years and should be completed six months after a firm's peer review year end. Once the peer review has been completed, a copy of the peer review report and MAPA's acceptance letter should be forwarded to the State Board to comply with licensing requirements.

If MAPA is the administrating entity for your firm's peer review, your firm should submit a completed Peer Review Billing Form and Firm Information Questionnaire before the commencement of your firm's peer review. You should also send your peer reviewer a copy of these completed forms. These forms and additional information are available on the MAPA website under Peer Review (<https://mapa-mn.com/peer-review>).

Now is also the time of year to make sure you have the required continuing professional education hours by June 30<sup>th</sup> for licensing.

If you prepare financial statements in accordance with generally accepted accounting principles (GAAP) then you should be aware of the lease standard that was effective for December 31, 2022 financial statements. Under ASC 842, leases that are longer than twelve months are required to be recorded as a right-of-use asset and related lease liability.

For many financial statements, this may have little to no effect on the net income or total equity, but will increase the assets and liabilities on the balance sheet and require additional disclosures, if you are presenting notes to the financial statements.

If your client prefers not to record the lease asset and liability, you may want to consider the following options:

- ◆ Only have leases 12 months or less in length
- ◆ Modify your report to reflect that there is a GAAP departure
- ◆ Consider whether the lease asset and liability are material to the financial statements
- ◆ Consider presenting the financial statements in accordance with the tax basis, modified cash basis or financial reporting framework for small and medium size entities (FRF for SMEs) if GAAP financial statements are not required

Consider the requirements of the user of the financial statements and whether the user would benefit from the information presented from adopting the standard. If you ignore the new lease standard and continue to present GAAP financial statements under the prior standard, this could result in a deficient engagement for your firm's peer review.

For system peer reviews, audit documentation and risk assessment continue to be recurring areas where deficiencies are noted. Be mindful of how the pandemic and increase in remote workers may change your client's internal controls and your risk assessment for audits. Modifications to reports and completeness of disclosures are common engagement peer review issues.

### MAPA NOTICE ~ CE Certificates

With the update to the new membership platform, we were unfortunately unable to transfer prior year certificates that were saved in your previous profile. Do not worry though, we do have them all in our system. If you need copies of them for any reason, please reach out to MAPA at [enebben@vividmanagementllc.com](mailto:enebben@vividmanagementllc.com). I will gather the requested certificates and email them to you as PDF attachments.

### 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](mailto:ghaworth@haworthco.com)

## 2023-2024 Seminar and Event Schedule

*Additional seminars may be added to this schedule*

Date	Topic	Time (Central)	CE Hours	Type
6/5/2023	Complete Retirement Guide	8am – 4pm	8	Webinar
6/6/2023	Social Security & Medicare	8am – 4pm	8	Webinar
6/12/2023	Preparations, Compilations & Review	8am – 4pm	8	Webinar
6/16/2023	Best of Tax Planning	8am – 4pm	8	Webinar
6/19/2023	Mid-Year Tax Update	11am – 1pm	2	Webinar
6/25 – 6/26/2023	MAPA 83 <sup>rd</sup> Annual Convention	-----	N/A	Arrowood – Alexandria, MN
8/30/2023	1041's for Trust's & Estates	8am – 4pm	8	Webinar
9/19/2023	Payroll Hiring	2pm – 3pm	1	Webinar
9/20/2023	Vacation Homes	7am – 9am	2	Webinar
9/20/2023	From Tires to Blinkers	9:30am – 11:30am	2	Webinar
9/20/2023	Employee Independent Contractor	12pm - 2pm	2	Webinar
9/20/2023	Choosing a Business Entity	2:30pm – 4:30pm	2	Webinar
9/20/2023	Schedule A	11am - 1pm	2	Webinar
9/20/2023	Schedule B	2pm - 3pm	1	Webinar
9/21/2023	Schedule C	7am – 9am	2	Webinar
9/21/2023	Schedule D	9am – 10am	1	Webinar
9/21/2023	Schedule E	11am – 1pm	2	Webinar
9/22/2023	Estates & Gifts Form 706/709	10am - 6pm	8	Webinar
9/25-9/26/2023	Business Tax In Depth	8am - 4pm	16	Plymouth, MN/ Webinar
10/17/2023	Ethics	8am–12pm	4	Webinar
10/23/2023	Federal Tax Update – Business	8am - 4pm	8	Webinar
10/24/2023	Federal Tax Update - Individuals	8am - 4pm	8	Webinar
10/31/2023	LLCs & Partnerships	8am - 4pm	8	Webinar
11/8/2023	Federal Tax Update – Business & Individuals	8am - 4pm	8	Webinar
11/16/2023	MN Tax Update	8am–12pm	4	Webinar
12/11/2023	Payroll Year End	11am – 1pm	2	Webinar
12/11-12/12/2023	1040 Tax In Depth	8am - 4pm	16	Plymouth, MN
12/18-12/19/2023	1040 Tax In Depth	7am - 3pm	16	Webinar
12/18-21 & 12/26-29	8 Nights of 1040 Tax In Depth	5pm - 7pm	16	Webinar
1/4 – 1/5/2024	1040 Tax In Depth	8am - 4pm	16	Plymouth, MN
1/8 – 1/9/2024	1040 Tax In Depth	11am - 7pm	16	Webinar
1/11-1/12/2024	From Trial Balance to Tax Return – A Boot Camp for Business Returns	9am - 5pm	16	Webinar



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Volunteers Needed

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### Strategic Planning

Volunteers Needed

### Student Conference

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