The mission statement of the Minnesota Association of Public Accountants is:

"MAPA assists its 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."

Are you taking advantage of all of the benefits MAPA has to offer its members?

The following are member benefits that MAPA offers to its members:

- Educational and Seminar CPE Opportunities – includes continuing education from multiple professional speakers and regional meetings.
- Discounted Access to NSA Online Training and Educational Resources – includes a wide range of topics at a significant discount.
- Peer Review Program – authorized by the MN State Board of Accountancy as an administering entity.
- Networking and Professional Contacts – with our width and depth of members we have a huge knowledge base.
- The MAPAN Professional Newsletter – important updates and articles to keep members informed.
- Accountants Professional Liability Plan – for bookkeepers, tax preparers, enrolled agents and certified public accountants through our NSA affiliation.
- Accounting and Auditing Student Conference – connect with students.
- MN SBOA News – located in the member section of our website.
- What’s New at Revenue – annual newsletter that you can provide to your clients with the latest federal and Minnesota law changes.
- Client Tax Newsletter – annual newsletter that you can provide to your clients with the latest federal and Minnesota law changes.
- National Society of Accountants Affiliation – taking our knowledge base beyond the great state of Minnesota.
- Central Office Location and Service – consistent location from year to year.
- Publicity and Press Releases – if you have news to share let us know, information can be posted on our website or include in the MAPAN.
- Legislative Presence – attendance at the Minnesota State Board of Accountancy meetings.
- Legislative and Other Government Affairs Meetings and Liaisons – includes internal revenue service, Minnesota Department of Revenue, and DEED.
- Membership Directory – coming soon to our website!
- Job Opportunities – job listings can be posted on our website.
- Cost Segregation Solutions – coming soon to our website!

To find out more about any of these benefits check out our website www.mapa-mn.com, email any officer on the MAPAN, or contact our Executive Director – Erin Nebben at 612-366-1983 or enebben@vividmanagementllc.com

Thank you,

Jennifer Schutz, CPA
MAPA President
Happy Holidays to you and your family and friends. This is our last issue of the MAPAN for this year. We hope that we have continued to provide you with quality information and resources from our newsletter and seminars that you can use in your practices and will be helpful to you during the upcoming tax season. I wanted to take a moment with this final newsletter of the year to thank you all for taking the time to renew your membership, attend a MAPA event, and to give me the important feedback with what you are looking for from your Organization. It’s been great to see you at events and I’ll look forward to seeing you in 2020.

Next year is going to be a big year for MAPA. MAPA was formed in 1940, which means we are going to be celebrating 80 years next year. We are planning a big reunion for all the Past Presidents, ALL Members, Board Members, Committee Chairs, and families. Please mark June 18-19, 2020 on your calendar and stay tuned for more information. We will be holding our 80th Annual meeting at Arrowwood in Alexandria, MN for all to come and network, reminisce and just have fun. Families are welcome, and we hope to see a lot of you there.

Our schedule next year will be released soon. It will be posted on the website, and I will also send an email out to all members with the schedule. We do have a few of our events scheduled already and I am excited to give you a sneak peek below. **Please remember that we do not have everything confirmed yet with a few of the seminars and venues, so this is just a partial list of confirmed events for 2020.** Membership renewal packets will be mailed out on April 15, 2020. An important day for all of us! Please remember that the earlier you renew, the more you will save, and the more time you will have to take advantage of your membership. We will continue to offer the Minnesota Tax Update seminar for FREE to those of you that renew your membership and register for 3 or more seminars prior to June 1, 2020.

Volunteerism is the backbone of MAPA. Without our volunteers we would not be able to meet the needs of our members. If you have ever thought of volunteering for MAPA, whether it be on the board or on a committee, we would love to have you be a part of our team. Please contact me at the MAPA office if you would be interested in giving back to your Organization.

In efforts to remain fully transparent to our members, we would like to announce that we are accepting bids from our members that would be interested in preparing the 990 tax return for MAPA. MAPA’s year end is June 30th. If this is something that your firm would be interested in, please either mail, fax or email a bid to the MAPA office by January 30, 2020.

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 upcoming calendar, or if you have any other comments or suggestions.

Thank you and Happy Holidays!
Unfortunately, it looks like winter is upon us. We have snow on the ground as I look out the window. That means one thing and that is tax season is just around the corner. It is time to think about the seminars we want to attend and get ready for the upcoming season. But first I hope you all get to enjoy quality time with family and friends before we are working around the clock.

Save the date for the 75th NSA Annual Meeting which will be held August 24-27, 2020 in Cleveland, Ohio. I will try to keep you posted as more information becomes available.

The IRS would like to remind tax preparers to renew their Preparer Tax Identification Numbers (PTINs) before they expire on December 31, 2019. Last year the IRS issued more than 813,000 PTIN’s and are asking tax preparers to renew now to avoid a last-minute rush, "said IRS Return Preparer Office director Carol Campbell. "Having this essential element done now will make the transition to tax season much easier." Tax preparers with who have a PTIN issued or renewed should use online renewal to speed up the process, which can take four to six weeks to turn around if submitted by mail.

IRS Notice 2019-59 announced changes to dollar limitations applicable to qualified retirement plans as adjusted for cost-of-living adjustments for 2020.

Now, employees enrolled in 401(k), 403(b), and the majority of 457 plans may contribute up to $19,500 towards their retirement.

NSA works for tax and accounting professionals to provide timely research materials and discounts that help your bottom line. Thompson Reuters Quickfinder is a great example of both.

Accountants and tax preparers have relied on Thompson Reuter's resources for over 40 years, and Quickfinder continues to be the leading quick reference provider for tax professionals. These publications combine high quality content with years of editorial expertise to ensure the answers you need are right at your fingertips. Designed and written by working tax professionals, Quickfinder delivers accurate and useful answers in a down-to-earth, concise format with a sense of humor that is as unique as your clients. As a member, you can buy any of their publications for less, thanks to our partnership with Thompson Reuters.

Some of our other benefits you get as a member of NSA are: CCH Tax Aware Center, Tax Help Desk, VeriFyle Pro, CPA Practice Advisor Subscription, Tax Talk Community and Accounting Talk Community. If you are not a member of NSA, you can become a member for $225 which is a great deal for all of the benefits you get. Feel free to take a look at NSA's website at www.nsacct.org.

I wish everyone a Happy Holiday Season and a prosperous tax season.
Peer reviews are being increasingly standardized. The AICPA is collecting data from MFCs through PRIMA, they are also doing more oversight at peer review meetings and are requiring administering entities (AEs), (such as MNCPA) to develop benchmarks and report on those benchmarks on a quarterly basis. Administering entities are consolidating. A perfect example of this is Illinois Certified Public Accountant Society now administers peer reviews under the name Peer Review Alliance to firms in Illinois, Indiana, Iowa, Kentucky, South Carolina, West Virginia, and Wisconsin. MNCPA is now administering peer reviews for both Minnesota and North Dakota firms. The AICPA asserts that peer reviewers were not properly trained and areas of non-compliance were being missed. Determining the level of a finding was subject to a wide range of professional judgement and peer reviewer knowledge. It was a very grey area. with little guidance. One of the AICPA’s initiative to improve audit quality is to provide more education and guidance to peer reviewers and RAB committees. The AICPA has been clearer in establishing guidelines and recommended outcomes based on findings. One example of this early on is on the disclosure for uncertain tax positions. Given the same circumstances, some peer reviewers did not determine this was a finding and some peer reviewers raised the finding to a deficiency and in some cases a failed report. Because of increased guidance, training, AE consolidation and increased oversite at the RAB committee level the AICPA peer reviews are being performed more consistently across the country. If an issue with the same circumstances is found at two firms the peer review outcome should be the same no matter where the firm is located.

What does this mean for MAPA? The Minnesota State Board of Accountancy allows for two administering entities MAPA and MNCPA. Minnesota state statutes require AICPA peer review standards be followed in all peer reviews no matter which administering entity your firm uses.

Engagement reviews the peer reviewer has requirements for engagement selection and typically includes at least one engagement from each level of service and one engagement from each issuing partner. A report is then issued based on the findings noted in the engagements selected. Engagement reviews are generally performed for firms that do not perform audits.

In 2019 failed engagement peer reviews the most common deficiency noted was the that the report was not in compliance with professional standards. Yes, there are still a few practitioners out there missing SSARS 21, but the wording on supplementary information should also be closely checked against the standards. Make sure all financial statements reported upon are included in the report, the years being reported upon are all included and the financial reporting framework matches the financial statements.

Another area of common deficiency on reviewed financial statements is analytical procedures. Failing to document preliminary expectations and failing to document other critical elements of analytical procedures leads to findings and deficiencies on review engagements. In a review engagement, the accountant is required by professional standards to document their understanding of the industry and knowledge of the entity to develop expectations for identifying and considering relationships between data. The documentation needs to be such that an experienced accountant with no outside knowledge understands what was done, why it was done, how the data compared to the expectations, the results of procedures and further work needed based on the results. A workpaper that simply compares the current year to the prior year is not considered analytical procedures unless all of the required elements are included and properly documented. Documentation is key! It is easy to do the work in our heads but it need to be on paper. Show your work!

System reviews look at a CPA firm’s system starting with the Quality Control (QC) document. A QC document for a sole proprietorship looks different than a QC document for a large regional firm, but both need to include the required elements of quality control, and both need to be properly designed for the firm being reviewed. The elements are:
1. Leadership Responsibilities for Qualities Within the Firm (Tone at the Top)
2. Relevant Ethical Requirements
3. Acceptance and Continuance
4. Human Resources
5. Engagement Performance
6. Monitoring

After the peer reviewer determines that the system of quality control has been properly designed for the firm, the peer reviewer tests that the firm is complying with their established quality control policies. For example, under engagement performance, if a firm that established that the engagement quality control review (EQCR) policy is to perform EQCR on all audits then the firm needs to perform EQCR on all audits and it needs to be documentation in each audit engagement’s workpaper. Furthermore, evaluating that the firm’s QC document is properly designed and comply with is included in the monitoring element of a firm’s quality control system.

If the peer reviewer notes an issue on a selected engagement the firm is required to determine where the breakdown in their quality control system occurred. Was there a system
design issue or was there a system compliance issue? Which element of the quality control system was the cause of the finding and how can it be remediated to prevent future findings? Although the firm is responsible for the determination the peer reviewer can provide guidance to the firm. A finding on an engagement could be because the firm did not comply with its quality control system or is it because staff wasn’t properly trained (Human Services), was there a required workpaper that was missed and partner review did not catch the omission (Engagement Performance).

There has been an increased focus on risk assessment. Common risk assessment issues include:

- Failing to evaluate risks at the assertion level rather than at the account level
- Limited or non-existent workpapers on risk assessment
- No linkage between assessed risks and planned responses
- Improper use of third-party practice aids
- Not documenting the reasons inherent risk is assessed at less than high
- Failing to test controls when control risk is assessed at less than high
- Assessing control risk at high and not testing controls over compliance

The AICPA issued guidance on non-conformance with risk assessment standards and offered firms some leniency until September 2020. For one more year, non-compliance with systemic evaluation of risk assessment leads to the following peer review conclusions:

- Risk assessment non-compliance on more than an isolated engagement with no other matters or deficiencies requires at least an FFC be issued with a required implementation plan.
- Risk assessment non-compliance on more than an isolated engagement with other matters or deficiencies requires at least a pass with deficiencies or fail report and requires corrective action.

In response, as of January 2019, the AICPA’s peer review board began requiring firms take an AICPA developed 3.5-hour webinar specifically on risk assessment (there is an option to take a substantially equivalent course from another other providers).

The AICPA has also developed free resources available on its website at www.aicpa.org/riskassessment. The practice aid providers – Thompson Reuters (PPC), Wolters Kluwer (CCH) and RSM McGladrey also provide training specific on how documentation should be completed on the practice aid workpapers they designed.

Another area of focus and commonly deficiencies relates to documentation. A sign off on an audit program is not sufficient documentation of a detail test, and oral explanations cannot substitute for written documentation to meet the requirements of the standard. The AICPA offers free tools at www.aicpa.org/documentation.

Other areas of findings on recent peer reviews include:

- Monitoring not done
- Lack of awareness on recent pronouncements
- Missing requirements on specialized industry audits
- EQCR not done
- Improper use of practice aids

In summary, keep up to date on standards especially with changes in nonprofit accounting, reporting and disclosures, ERISA and Single Audit engagements. Make sure compilation and review reports are in compliance with current standards, preparation financial statements include the necessary elements, risk assessment expectations are documented, risk assessment is assessed at the financial statements and assertion level, and assessed risks are clearly linked to audit program steps and procedures performed.

At the AICPA peer review conference held this past August, the AICPA shared future areas of focus in peer review. They included

- auditing estimates (including fair value and revenue recognition),
- internal control, and
- SOC reports.
- These are in addition to the current emphasis on risk assessment, documentation, and non-attest services.

**Minnesota State Board of Accountancy (SBOA) News**

There are three board positions that need to be filled through the Open Appointments process. The Governor may appoint current board members who are applying for another term, or he may choose to appoint a new person for any of the positions. Please consider who may be a good fit to apply for appointment, whether it be yourself or a colleague.

Board members are appointed by the Governor to four year terms. If you are interested in serving on the Board, please complete the Application for on the Minnesota State Board of Accountancy website and submit. Contact the Board office with questions.
What’s New at Revenue

Looking Ahead To the 2020 Filing Season

With just weeks to go until the start of 2020 filing season, we are working closely with tax software providers to ensure they have the resources and information necessary to update their systems to reflect the tax law changes for all affected tax years. We are testing our internal systems and vendor systems to ensure we are all ready for filing in January.

As you prepare for the 2020 filing season, please remember we have a lot of information on our website including answers to your frequently asked questions about the 2019 Tax Bill. For the latest information:

- See 2019 Minnesota Tax Law Changes on our home page
- Subscribe to our Tax Law Changes email list

Please read on for updates on new direct deposit limits, checking your Preparer Tax Identification Number (PTIN), and new local sales, use, and excise taxes.

New Direct Deposit Limitation

As part of our efforts to combat tax refund fraud, we are limiting the number of refund deposits into one bank account. Beginning in January 2020, we will only deposit up to five Minnesota individual income tax refunds into a single bank account.

We are making this change to:
- Prevent criminals from filing fraudulent returns and attempting to deposit stolen refunds in their account
- Protect clients from dishonest tax preparers who deposit refunds into their own bank accounts while only returning a portion of the refund to their client

The limit may affect taxpayers who deposit more than five refunds into a single bank account. If an account exceeds this limit, we will send any additional refunds as paper checks and notify the customers by mail.

For most clients, direct deposit is the easiest, most convenient, and most secure way for them to receive their refund. Clients can check the status of their refund by visiting www.revenue.state.mn.us and selecting Where’s My Refund? under Top Tasks.

Remember to Check Your PTIN

Last year, we received over 40,000 Minnesota returns with expired or invalid Preparer Tax Identification Numbers (PTINs). Taking the following steps may prevent delays in processing your client’s return during filing season:
- Renew your PTIN with the IRS by the deadline
- Verify the accuracy of your PTIN on returns you prepare

New Local Sales, Use, and Excise Taxes

The following new local sales, use, and vehicle excise taxes apply to sales on or after the effective dates listed below. The Minnesota Department of Revenue will administer these taxes.

Effective October 1, 2019
- **Avon County** has a new 0.5% sales and use tax.
- **Benton County** has a new 0.5% transit sales and use tax.
- **Blue Earth** has a new 0.5% sales and use tax.
- **Cambridge** has a new 0.5% sales and use tax.
- **Detroit Lakes** has a new 0.5% sales and use tax.
- **Duluth** has a sales and use tax increase to 1.5% (from 1%).
- **Elk River** has a new 0.5% sales and use tax.
- **Excelsior** has a new 0.5% sales and use tax.
- **International Falls** has a new 1% sales and use tax.
- **Minneapolis Lodging Tax** has increased to 3% (from 2.125%).
- **Rogers** has a new 0.25% sales and use tax, and a $20 vehicle excise tax.
- **St. Paul Lodging Tax** has increased to 7% (from 6%)
- **Two Harbors** has a sales and use tax increase to 1% (from 0.5%).
- **Willmar** has a new 0.5% sales and use tax, and a $20 vehicle excise tax.

Effective January 1, 2020
- **Glenwood** will have a new 0.5% sales and use tax.
- **Kanabec County** will have a new 0.5% transit sales and use tax.
- **McLeod County** will have a new 0.5% transit sales and use tax.
- **Perham** has a new 0.5% sales and use tax.
- **Sauk Centre** has a new 0.5% sales and use tax, and a $20 vehicle excise tax.
- **Scanlon** will have a new 0.5% sales and use tax.
- **Virginia** will have a new 1.0% sales and use tax.
- **West St. Paul** will have a new 0.5% sales and use tax.
- **Worthington** will have a new 0.5% sales and use tax.

For more details, please see our see our local Sales Tax Information page.
Use Sales Tax Rate Map to Find Rates

Remember you can look up sales tax rates using our Sales Tax Rate Map. The map displays the entire state with general sales tax rates. To find a specific tax rate, you can enter an address into the Search box or simply select on the desired location on the map. The interactive map allows you to explore different Minnesota locations and find local tax rates for areas around the state.

Cost Segregation Services ● Real Estate Professional, Part 2 ● Steps to Qualify

To qualify as a real estate professional there are four (simplified) steps.

Number one: Identify the owner's real property trades or businesses in which he or she materially participates.

Number two: The owner or investor must spend at least 750 hours a year on their rental properties. This could be repairs, bookkeeping, travel to and from, managing the property, etc.

Number three: If the owner or investor has another source of income, and spends time performing services to generate that other form of income, the investor must spend at least as much time on his real estate activities as he does his other business. If this is not a real property trade or business, the rental properties would generally be passive. If it is a real property trade or business, the rental activities MAY be non-passive.

Number four: The owner or investor must materially participate in each single rental property. There is an option to aggregate all the rental properties into one so that the owner or investor only has to materially participate in all of the rentals together not each one individually. However, a statement must be sent to the IRS with the taxpayer's tax return stating that the taxpayer is a real estate professional and meets the criteria.

Materially participates means:
1. They participated in the activity for more than 500 hours during the tax year.
2. Their participation in the activity for the tax year was substantially all the participation in the activity of all individuals for the tax year.
3. They participated in the activity for more than 100 hours during the tax year, and you participated at least as much as any other person for the tax year.

They materially participated in the activity for any 5 of the prior 10 tax years.

The designation of a real estate professional is very complex and misunderstood by many tax professionals. Please be very careful when choosing to designate a taxpayer as a real estate professional.

For More information contact:
Cost Segregation Services, Inc. (CSSI)
Jodi Nielsen, Natl. Sr. Acct. manager
651-210-1921
jodi.nielsen@costsegregationservices.com

ACCOUNTING PRACTICE FOR SALE

Western Suburban CPA firm for SALE! Year round work. No Auditing. Four Full Time Employees. Ultra Tax/Creative Solutions Software. Owner will continue working with Buyer.

Please Contact: larry@lplarsoncpa.com

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
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Student Conference
Committee Chair Opening
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