

ELECTRICAL CONTRACTORS - TOP 10 TAX QUESTIONS

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Smith Schafer & Associates, Ltd



MINNESOTA CONSTRUCTION INDUSTRY EXPERTS



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We are a recognized leader in providing accounting, auditing and consulting services to the electrical industry. Our Construction Group, comprised of numerous professionals, is committed to serving over 800 Minnesota construction and real estate entities. From large construction companies to specialty contractors, we have the experience to bring you innovative solutions.



1. WHAT IS TAX REFORM?

- Corporate tax rate reduced to 21%
- Individual tax rates reduced to 10%, 12%, 22%, 24%, 32%, 35%, 37%
- Standard deduction \$24,400 (2019) \$24,800 (2020) and itemized deductions changes
- Accounting Method Changes



2. HOW DOES THIS AFFECT MINNESOTA TAXES?

December 22, 2017 – Tax Cuts and Jobs Act

May 23, 2018 – Governor Dayton vetoes MN Tax Bill

May 30, 2019 – MN Omnibus Tax Bill (conformity retroactive and prospective)



MINNESOTA CONFORMITY

- Individual taxpayers "special limited adjustment"
- Business taxpayers "do not amend" adjustments expected Spring 2020



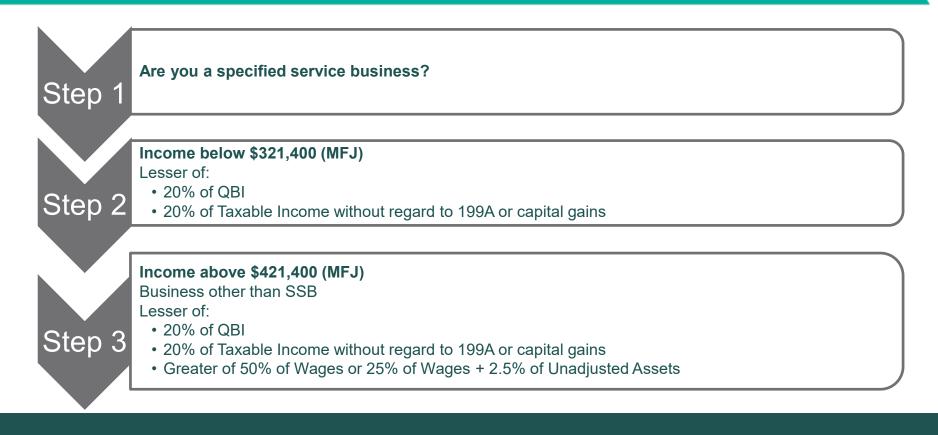
MINNESOTA CONFORMITY

- Itemized Deductions
- Second tax bracket reduction from 7.05% to 6.80%





3. WHAT IS THE 20% DEDUCTION?





20% DEDUCTION

Adjusted Gross Income Qualified Business Income 20% Deduction Taxable Income \$650,000 \$400,000 \$80,000 \$570,000

Approximate Tax Savings

\$28,000



4. I HEARD AN ADVERTISEMENT ABOUT DEDUCTING A NEW TRUCK. WHAT IS SECTION 179?

SECTION 179

Up to \$1,020,000 deduction with maximum additions of \$2,550,000 - 2020 \$1,040,000 and \$2,590,000

BONUS DEPRECIATION

100% accelerated depreciation for new or used property with a useful life under 20 years



LUXURY AUTOMOBILES AND PERSONAL USE PROPERTY

- A Luxury Auto is a vehicle weighing <u>6,000 pounds or</u>
 <u>less</u> the maximum depreciation is \$18,100 for 2019
- 100% special depreciation allowance does not apply to luxury autos.
- Truck, SUV or Vehicles <u>over 6,000</u> pounds are not subject to the Luxury Auto depreciation limits. The vehicle is eligible for 100% bonus depreciation.



VEHICLE DEPRECIATION SPECIFICS

- For Section 179, the limitation of \$25,000 is still in place for SUV's and small trucks.
- The \$25,000 limit does not apply to any vehicle:
 - Seating capacity of greater than 9
 - Cargo space greater than 6 feet
- Listed Property no deduction is allowed unless you substantiate the expense and business usage.



MINNESOTA DEPRECIATION

- Depreciation 80% Addback for Section 179 expense and 100% Bonus
 - Section 179 limits: \$25,000 and \$200,000





5. WHAT ARE MY OPTIONS FOR RETIREMENT CONTRIBUTIONS?

- IRAs \$6,000 plus a \$1,000 catch-up contribution if you're 50 or older
 - 2020 \$6,000
- SIMPLE IRA \$13,000, catch-up contribution \$3,000
- SEP \$56,000
 - 2020 \$57,000
- Employer sponsored plans [401(k), 403(b)] \$19,000 plus a \$6,000 catch-up contribution if you're 50 or older
 - 2020 \$19,500 and \$6,500



401K PLANS



- Safe Harbor Plan
- Profit Sharing Plan



6. WHAT ELSE CAN I DEDUCT?

- Meals 50%
- Entertainment nondeductible under TCJA
- Cell Phone
- Mileage 58 cents/mile
- Unreimbursed employee business expenses MN Only



7. HOW SHOULD I TRACK EXPENSES?

- QuickBooks
- QuickBooks Online
- Expensify
- Foreceipt
- Shoeboxed
- Mint

More details and pricing information:

www.smithschafer.com/5-best-expense-tracking-tools-for-businesses/



8. WHAT HAPPENS IF I AM WORKING IN MULTIPLE STATES?

- Payroll
- Sales Tax Wayfair
- State Income Taxes





9. HOW DO I MAXIMIZE THE SALE OF MY BUSINESS?

- Succession Planning
- Mergers and Acquisitions
- Gifting
- Business Valuations



10. WHAT SHOULD I DO TODAY?

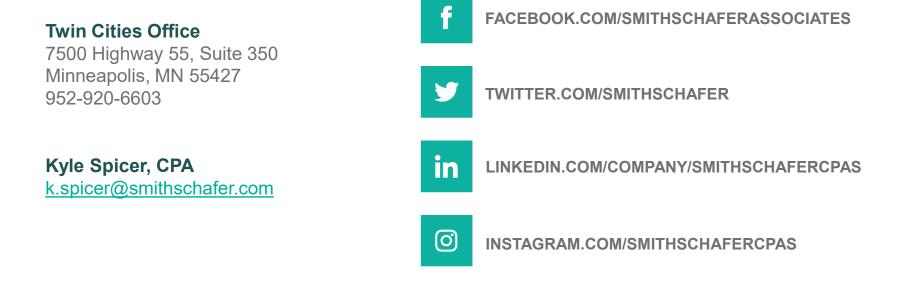
- 1. Review your financials with your CPA.
- 2. Take advantage of tax deductions and make sure you have no tax surprises by doing a 2019 tax plan.
- 3. Look ahead to 2020 and develop a budget and consider some of the strategies discussed today.



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