



# ELECTRICAL CONTRACTORS - TOP 10 TAX QUESTIONS

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## MINNESOTA CONSTRUCTION INDUSTRY EXPERTS

Thank you for taking the time to join us today!



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# 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?

Step 1

Are you a specified service business?

Step 2

**Income below \$321,400 (MFJ)**

Lesser of:

- 20% of QBI
- 20% of Taxable Income without regard to 199A or capital gains

Step 3

**Income above \$421,400 (MFJ)**

Business other than SSB

Lesser of:

- 20% of QBI
- 20% of Taxable Income without regard to 199A or capital gains
- Greater of 50% of Wages or 25% of Wages + 2.5% of Unadjusted Assets

## 20% DEDUCTION

Adjusted Gross Income	\$650,000
Qualified Business Income	\$400,000
20% Deduction	\$80,000
Taxable Income	\$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 **6,000 pounds or less** the maximum depreciation is \$18,100 for 2019
- 100% special depreciation allowance **does not apply** to luxury autos.
- **Truck, SUV or Vehicles over 6,000 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

- **Solo 401K**
- **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/](http://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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