

THE ROR TAX SEASON NEWSLETTER—2018

Tax Reform, Security at ROR, and tax season is almost upon us!

Mike Cassidy

Which ever holidays you celebrated, I hope they were wonderful. I'll bet that more than once, however, tax changes came up. Or maybe that's just me!



Some of you know, tax reform has consumed our business the past several weeks.

We recently sent you a note summarizing some of the changes that occurred through the **federal tax reform law** passed just before Christmas. It would have been easily forgotten that Minnesota also made some significant tax law changes earlier this year that we've summarized in this year's newsletter. We have a fairly comprehensive summary of the federal tax changes on our website, www.rotax.com/resources

Security is another incredibly important concern for us this year. With so many large institution security breaches, we have been working hard to avoid being a target. You share a lot of information with us that we are responsible to protect. We've changed equipment, trained to spot and avoid potential threats, and changed processes to be more secure.

We have made one change that will affect many of you.

We are no longer accepting email attachments.

First, it is not a secure way to send a document with private information. More importantly, it is the primary way that hackers attempt to access networks and we feel it is important to not trust

attachments from anyone.

We will direct you to send us any electronic documents through your **SmartVault** account (a story in this newsletter explains SmartVault (Pages 5-6) where it can be securely shared with us. SmartVault can be accessed by clicking on the 'Login' button in the upper-righthand corner of our website at www.rotax.com. If you need to be invited to SmartVault, please contact your tax professional.



We continue to look forward to working with you to complete your tax preparation needs; whether face to face, by sending information through SmartVault or dropping off your documents. We continue to give you options to 'pick-up' your return, whether electronically, here in the office or via mail. We hope to be as convenient as possible for this complex task.

All of us at ROR thank you for your continued trust and business. We look forward to seeing you soon!

Ongoing Requirements for claiming child related credits

Denise Nix

As most of you verified your children by providing Social Security Cards to us last year, we know your children are real. We do not need you to bring the Social Security cards in again this year.

However, we do still need to verify their residency with you every year. For those of you with child related credits, for instance, the American Opportunity, Earned Income, and Child Tax Credits, we will require yearly documen-

tation, like mail from the child's school, or the doctor's office to verify the residency of the child. Please bring these items in with you to your tax appointment, we will scan them into your file and then give them right back to you.

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- Credit for Student Loan Payments
- Certain Taxes Paid to Wisconsin

PROPERTY TAX RETUND/RENTER'S REFUND RETURNS

Matt Pagel

Many residents of Minnesota are familiar with the "Property Tax Refund" or "Renters Refund" program, but have no idea what it's all about. This is a state-paid refund which provides tax relief to homeowner's whose property taxes are high relative to their incomes. This also applies to tenants who pay rent instead of directly paying the property taxes.

There is a confusing aspect to the program, figuring household income and what it includes. When the state of Minnesota asks for your household income it does not mean the same thing as taxable income. For purposes of the property tax return, your household income includes:

- Your Federal adjusted income from the current tax return
- Nontaxable Social Security and/or Railroad Retirement Board benefits
- Amounts contributed to a qualified retirement account (your pretax retirement account contributions for example)
- Amounts received from governments programs, such as Supplemental Security Income (SSI), or General Assistance
- Other nontaxable income such as Roth account distributions, or scholarships and grants

For homeowners, these types of income must also be provided for all of the adults living in your "household", except for your parents or your spouses' parents (unless they are co-owners of the property), and any of your dependents.

So what does that mean exactly? Well, if you live with someone whom you're not married to, such as a romantic partner who is not claimed as a dependent, or an adult child not claimed as a dependent, then you must include their income on your property tax return. If you and this other person own the property together, only one of you can file for the refund but you must include the "household" income for both on the property tax return.

If you rent out any portion of your home, that income should be reported on a Schedule E within your federal tax return, you need to specify the percentage of your home used as a rental on the M1PR form. This percentage would also apply to the area of your home you deduct as a home office.

However, not all income is included. Here's the income you do not need to include on your property tax return:

- Minnesota property tax refunds
- Child support payments
- A dependent's income, including Social Security
- State income tax refunds not included on line 1 of Form M1PR
- The dollar value of food, clothing, food stamps, and medical supplies received from government agencies
- Payments from life insurance policies
- Payments by someone else for your care by a nurse, nursing home or hospital
- Fuel assistance payments
- IRA rollovers
- Gifts and inheritances
- Nontaxable Holocaust settlement payments

This is a state-paid refund which provides tax relief to homeowner's whose property taxes are high relative to their incomes.



For renters, your landlord is required to send you a Certificate of Rent Paid (CRP) form no later than the last day of January. This form should be issued to each unmarried person living there. Married people are counted together as one on this form, and this should be indicated on the CRP form. If you are given an inaccurate CRP form, you need to contact your landlord and have them correct the information and provide you with a new one.

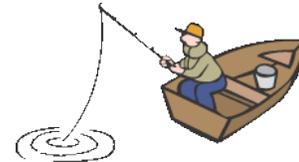
The state of Minnesota has begun to scrutinize property tax returns vigorously and any error can create headaches for those involved. Your best plan of action is to have a professional prepare your property tax return, especially if your situation is more complicated.

REPORTING MISCELLANEOUS INCOME & NON-EMPLOYEE COMPENSATION

Ray Mohr

The IRS requires you to file a Form 1099-MISC, if in the course of your trade or business, you paid someone during the year:

- at least \$10 in royalties or broker payments in lieu of dividends or tax-exempt interest;
- at least \$600 in:
 - * services performed by someone who is not your employee (this includes individuals, partnerships or estates);
 - * rents;
 - * prizes and awards;
 - * other income payments (fees, commissions);
 - * medical and health care payments;
 - * crop insurance proceeds;
 - * cash payments for fish (or other aquatic life) you purchase from anyone engaged in the trade or business of catching fish;
 - * generally, the cash paid from a notional principal contract to an individual, partnership, or estate;
 - * payments to an attorney or legal service; or
 - * any fishing boat proceeds,



It is a best practice to ask each payee to complete a *Request for Taxpayer Identification and Certification* (Form W-9) to insure you have the payee's correct information. The W-9 form includes name and address and, most important, the recipient's tax identification number. We recommend keeping this information on file with your other business records.

When is the Deadline for Filing 1099-MISC Forms?

A completed Form 1099-MISC must be delivered to each payee and filed with the Internal Revenue Service (IRS) on or before Wednesday, January 31, 2018.

Need to File 1099-MISC? Let ROR Help!

Please contact one of our tax professionals to answer any questions or to request assistance with preparing and filing the 1099-MISC for you. Our fee for preparing and filing the 1099-MISC is \$75 for one 1099, \$15 for each additional 1099. We ask that information required for filing is provided to our offices **no later than Monday, January 22, 2018**. You will receive a summary report and a copy of all form 1099-MISC filed on your behalf and we will insure a copy is delivered to each payee and filed with the IRS by January 31, 2018.

VOID		CORRECTED		OMB No. 1545-0115		Miscellaneous Income
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Rents	\$	2017 Form 1099-MISC		
		2 Royalties	\$			
PAYER'S federal identification number		3 Other income	\$	4 Federal income tax withheld	\$	
RECIPIENT'S identification number		5 Fishing boat proceeds	\$	6 Medical and health care payments	\$	
RECIPIENT'S name		7 Nonemployee compensation	\$	8 Substitute payments in lieu of dividends or interest	\$	
Street address (including apt. no.)		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	\$	10 Crop insurance proceeds	\$	
City or town, state or province, country, and ZIP or foreign postal code		11		12		
Account number (see instructions)	FATCA filing requirement <input type="checkbox"/>	13 Excess golden parachute payments	\$	14 Gross proceeds paid to an attorney	\$	
15a Section 409A deferrals	15b Section 409A income	16 State tax withheld	\$	17 State/Payer's state no.	\$	18 State income
\$	\$	\$	\$	\$	\$	\$

Form 1099-MISC www.irs.gov/form1099misc Department of the Treasury - Internal Revenue Service

NEW MINNESOTA TAX LAW CHANGES

Ray Mohr

The news and social media have been abuzz with changes to federal tax laws; however, the 2017 Minnesota legislative session resulted in a number of changes to Minnesota tax law for the 2017 tax season. We've highlighted a few of these changes below.

Credit or deduction for contribution to 529 College Savings Accounts

There is now another benefit to contributing to a 529 College Savings Account. Minnesota residents and part year residents that contribute to a qualified Section 529 College Savings Plan (contributions to any states 529 plan qualify) can take either a subtraction against their Minnesota taxable income or a tax credit.

If you meet certain income guidelines, you may be eligible for a nonrefundable credit. The credit is a maximum of \$500 or 50% of contributions made during the year. This credit phases out for taxpayers with an Adjusted Gross Income between \$75,000 and \$100,000 (\$75,000 and \$160,000 MFJ).

If you don't meet the income guidelines for the credit (or it is substantially phased out), then you will be eligible for a subtraction from your taxable income up to \$1,500 (\$3,000 for married couples filing joint returns). You are not able to take both the credit and subtraction.

If a withdrawal from a qualified account is used for anything other than to pay for qualified higher education expenses (which expanded to K-12 expenses under the recent federal tax reform), the account owner must pay an additional tax on the amount of the distribution and amounts previously claimed as a subtraction or credit.

Credit for Teachers who obtain a Master's Degree

Minnesota teachers enrolling in an eligible master's degree program in their licensure field after June 30, 2017 may be eligible for a nonrefundable credit in the year they complete the program.

The master's degree program must meet the following requirements:

- start after June 30, 2017
- be for a program in reading, English or language arts, mathematics, science, foreign languages, civics and government, economics, arts, history, or geography
- completed the program in the year the credit is claimed
- does not include a pedagogy component

The credit is equal to the amount the individual paid for tuition, fees, books, and instructional materials for which the individual did not receive reimbursement or scholarship, or \$2,500, whichever is less.

Credit for Student Loan Payments

Another new credit this year is a credit for Student Loan Payments. This credit is \$500 each year per individual (\$1,000 for MFJ if both spouses have student loans).

For individuals claiming this credit, the maximum allowed is the least of:

- \$500
- The individual's earned income
- The sum of 10% of the original loan and interest payments made during the current year, and
- The loan payments in the current year minus 10% of the taxpayer's AGI in excess of \$10,000. In the case of married couples, each spouse is eligible for the credit.

For married couples filing a joint return, the credit is calculated separately for each spouse using the joint AGI.

Credit for Certain Taxes Paid to Wisconsin

Minnesota residents who pay tax on income from personal and professional services performed in Wisconsin may qualify for a refundable credit of the tax paid to Wisconsin. This credit is available to Minnesota residents who work and pay income tax in Wisconsin at a higher rate than if their earnings were in Minnesota.

MINNESOTA TAX LAW CHANGES (continued)

Social Security Benefit Subtraction

If you receive Social Security, you may be able to reduce the amount of it that is subject to Minnesota tax. For provisional incomes (see full summary for definition) less than \$77,700 (99,500 MFJ) you may be able to subtract up to \$4,500 from your Minnesota taxable income.

Learn More about Minnesota Tax Law Changes

If you would like to learn more detail about these and other MN tax changes for 2017, you can check them out on the MN Department of Revenue website at http://www.revenue.state.mn.us/Pages/law_changes.aspx



Ray Mohr

Last year we introduced SmartVault, an online portal which allows us to efficiently store, manage and exchange documents with our clients in a highly secure environment. We're happy to say it's been a huge success with over 700 ROR Tax clients activating their accounts last tax season!

Need a copy of a past tax return? How about a copy of your W-2 for your mortgage broker? Can't find a copy of last year's property tax statement? You won't need to hunt through stacks of unfiled papers or wait until you get home to retrieve your documents. **SmartVault is accessible 24/7** whenever and wherever you have an internet connection and all of your tax documents are readily available for downloading and are securely encrypted.

Getting Started with SmartVault

If you have an activated account, you're ready to go. If you've forgotten your password, you can request a password reset right from the login screen.

If you're new to SmartVault, you need to request an "invite" from your tax preparer. Your invite will include an activation link and allow you to setup your own personal 12 character password. Once you've logged in to your personal cabinet you'll have the ability download and upload files to and from SmartVault.

Just before tax season begins, your tax preparer will print and upload copies of **your tax organizer, engagement letter and questionnaire to your personal cabinet**. These documents are designed to assist you in getting ready for your in-office appointment or to collaborate remotely via email, phone and SmartVault with your tax preparer.

As you receive documents (either paper or electronic) from employers and others you may upload them directly to the current tax year (TY17) and the Client Source Document folder. Documents can be uploaded individually or in a single scan file. This can save you and your tax preparer lots of time and can help reduce the turn-around of a completed return.

A screenshot of the SmartVault sign-in interface. It features the SmartVault logo at the top left. The main heading is "Sign In" with the instruction "Sign in to your SmartVault account below". There are two input fields: "Email Address" with the example "johnqtaxpayer@gmail.com" and "Password". A "Remember email" checkbox is checked. A "Sign In" button is located to the right of the password field. Below the input fields is a "Reset Password" link.A screenshot of the SmartVault client cabinet interface. At the top, it shows the user's name "ROR Tax Professionals, LLC" and "Taxpayer, John Q" for the tax year "TY17". Below this, it displays the "Contents for Folder TY17". There is a navigation bar with "1" of 1 items. A table lists the folder contents:

Name	Size
Client Organizer	
Client Source Documents	
Client Tax Returns	

At the bottom, there is a section for "My Notification Settings for Folder TY17".

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**DO YOU NEED A
COPY OF YOUR
W-2?**

**DO YOU NEED
YOUR
ORGANIZER?**

**DO YOU NEED A COPY
OF A PREVIOUS
YEAR'S TAX RETURN?**

SMARTVAULT (continued)

Once your return has been completed by your tax preparer, signed, e-filed and accepted by all of the required tax agencies your preparer will place a final copy of your tax return in your cabinet within SmartVault. Available whenever you need it and ready for another year. We hope you'll give SmartVault a try this tax season. Contact your tax preparer by email or phone to get set-up today. We look forward to seeing you soon!

The screenshot shows a web interface for a folder named 'Client Source Documents'. At the top, there is a navigation bar with the text 'ROR Tax Professionals, LLC Taxpayer, John Q TY17 Client Source Documents'. Below this is a sub-header 'Contents for Folder Client Source Documents' and an 'Upload File' button. A table lists the contents of the folder, with columns for Name, Size, Type, and Date Modified. The table shows five PDF files, all with a size of 234 KB and a date modified of 12/12/2017. At the bottom of the table, there are navigation controls including 'Page: 1 of 1 Go' and 'Page size: 5 Chang'.

Name	Size	Type	Date Modified
2017 Taxpayer, John - Mortgage Interest 1098.pdf	234 KB	pdf	12/12/2017
2017 Taxpayer, John - Property Tax Stmt.pdf	234 KB	pdf	12/12/2017
2017 Taxpayer, John - Student Loan.pdf	234 KB	pdf	12/12/2017
2017 Taxpayer, John - W2.pdf	234 KB	pdf	12/12/2017
2017 Taxpayer, Mary - W2.pdf	234 KB	pdf	12/12/2017