NELSON CPAs

Fact Sheet **Sept 12, 2019**

Minnesota Tax Planning

In May, the Minnesota Legislature passed a tax bill that brings the state's tax code into conformity with several, but not all, federal tax changes enacted between December 16, 2016 and December 31, 2018, including some provisions from the Tax Cuts and Jobs Act (TCJA). We will examine many of these provisions in depth in our Tax Season Newsletter however we wanted to be sure to communicate important changes that may impact your year-end planning and the records you maintain for 2019.

New Standard Deduction

Minnesota has adopted the larger standard deduction put in place by the TCJA. They also adopted the limitations to the medical deduction (must be more than 10% of your adjusted gross income), capped the real estate and personal property tax deduction at $10,000 and eliminated all miscellaneous deductions except for unreimbursed employee business expenses in excess of 2% of your adjusted gross income.

The standard deduction for 2019 on federal and MN is:

Single	$12,200
Married Filing Jointly	$24,400
Married Filing Separately	$12,200
Head of Household	$18,350

Taxpayers over age 65 and/or blind have an additional deduction depending on their filing status

As you can see, it is much more likely that you will NOT itemize on either your federal or MN return. So what does this mean for deductibility of charitable contributions and recordkeeping?

Charitable Contributions

One unique element of Minnesota tax law is that fifty percent of any charitable contributions in excess of $500 per year can be deducted if you do NOT itemize on your MN return. This means that you should continue to maintain appropriate documentation and records regarding your charitable contributions regardless of whether or not you anticipate itemizing.

Medical Expenses

Unless you have extraordinary medical expenses, it is unlikely that you will need to itemize your medical deductions. Our recommendation is to keep receipts throughout the year but determine at tax time if the total is likely to be greater than 10% of your adjusted gross income before spending time summarizing those receipts.

Employee Business Expenses

The same analysis applies if you have unreimbursed employee business expenses. The total must be greater than 2% of your adjusted gross income before they are deductible.

We will continue to analyze the state's tax changes and monitor communications from the Department of Revenue. We will update you as we learn more about the new law and its impact on your Minnesota tax liability. Please reach out if you have questions regarding your situation.

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