



Liberty Financial Consulting, Inc.

A leader in small business accounting, Quickbooks support, and tax preparation

**History Trivia
What year?**

1. First Apollo space mission.
2. TV invented.
3. I-Phone introduced.
4. First troops sent to Vietnam.
5. Woodstock.
6. End of Revolutionary War.
7. Beatles first concert in America.
8. Interstate Highway system completed.
9. Hostages released from captivity in Iran.
10. 13th Amendment to repeal slavery ratified.
11. First major civil rights legislation passed in US history.
12. Presidential election campaign by William McKinley conducted from his front porch in Ohio.
13. Mount Rushmore completed.
14. Twins win first World Series.
15. Jesse Ventura elected to be governor of Minnesota.
16. North Dakota becomes a state.

Fall/Winter 2020

September will mark the 18th anniversary of LFC. The business is quite different from those early days. Perhaps the 3 most significant challenges that have occurred during this time would be:

- Technological changes
- The speed of change
- Tax law changes

The first 2 changes are interconnected. With each advance of technology, the speed of change is accelerated.

In the early years, much of the technological changes in

the accounting business were the enhancements to the new year's edition of Quickbooks. However, with the internet, changes in software are far more rapid and frequent. This is true with the software itself or the introduction of new applications developed for the software.

Other significant changes in the business relate to the tax code. Prior to 2001, with some exceptions, tax changes were less comprehensive and permanent. This would consist of minor changes and inflation adjustments.

The tax law passed in 2001

had a sunset provision to end in 10 years and it was enhanced in 2003. Provisions of the code phased in over a 10 year period. In 2012, it was extended for 2 years, then in 2014 it was made permanent. Add to this, the tax code expansion of Obamacare and, most recently, the CARES Act.

The dynamics of the last 18 years has certainly been exciting. With all this, we still managed to build a business and serve our clients well. We look forward to the years ahead.

LFC

Remaining months of 2020

2020 has certainly been an unusual year. Economically, it has started out with robust growth and a stock market doing well, then the Covid crisis came upon us.

For the remaining months of the year, one should take a serious look at one's personal tax situation. Many things could have occur this year that disrupted normal tax circumstances: layoff or furlough, business downturn, unemployment compensation, IRA distributions due to lay-off, or any number of things as a result of the

Covid crisis.

Tax planning certainly will be have its challenges this year. Here are some things to note regarding taxes for 2020:

- Excess Unemployment received as a result of layoff (\$600) is taxable income which was not subject to withholding
- Taxes on IRA distributions due to Covid are payable over a 3 year period
- Limitation on charitable contribution deductions has been lifted (previously limited to 30% or 50% of AGI)

- \$300 deduction allowed for charitable deduction for those who do not itemize.
- Advance payment by the IRS received earlier in the year of \$1200 to individuals (\$500/child) is considered a fully refundable tax credit

These changes were made as a result of the CARES Act which became law in March. It would be a good idea to contact LFC and discuss how the new law changes will affect your tax filing for 2020.

Quickbooks Online Accounting Solution for Businesses

The Quickbooks Online product has developed into a robust solution for small business accounting needs. In the early years of the product, it provided adequate accounting processing for limited businesses. However, with continual enhancements and the addition of a wide variety of applications (by Intuit or a 3-rd party provider), the product is a fine solution for more and more businesses. This would include businesses with complex inventory needs.

Online product features that many businesses would find important in assessing their software needs include:

- Access to data across many platforms (PC or Mac, tablet)
- Mobile access included
- No need to transfer data—all users have same data file
- Bank transactions automatically download
- Data is hosted and backed up on Intuit servers

Versions of the product will have different features/capabilities. The two most common versions are:

- Essentials
- Online Plus

Essentials features would include (but not limited to):

- Access for 3 users
- 40+ reports
- Manage and pay bills
- Invoicing

Online Plus features include:

- Features available in Essentials
- Access increased to 5 users
- 65+ reports
- Class & location tracking
- Inventory tracking
- Budgets
- Estimates

Contact LFC for assistance on choosing the right Online product for your business.

How Covid-19 has impacted LFC up to now

LFC was in the midst of the tax season when the Coronavirus and lock-downs began. Business was moving along as it had in prior years at tax time. As the coronavirus became more serious and states like Minnesota began to issue state-at-home orders, LFC experienced some loss of business to clients whose business activity had dropped off or were subject to lock-down.

LFC's industry (accounting) was deemed essential so it was not subject to stay-at-home orders. We were able to visit client sites who were comfortable with LFC at their location or we provided service online. However, some

clients did not call LFC out for services due to fear of the virus or the business drop-off was so significant that LFC was not needed.

The business also was affected by the CARES Act passage. The extension of the tax deadline to July and the Payroll Protection Loan program were things LFC had to deal with that were not part of any prior tax year.

As we enter into the fall, businesses seem to be getting back to normal. Clients are calling out LFC for service and other clients have had more needs. We are not quite to pre-Covid levels, but it appears the worst may be behind us.

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Quickbooks Software

Since 2002, LFC has been working with clients to find the best software product solution for their businesses. Quickbooks provides products for businesses of any size and in any industry. From the simplest data processing systems to complex manufacturing, Quickbooks has the products for any situation.

Quickbooks primary desktop product offering consists of:

- Pro
- Premier
- Enterprise Solutions

In addition, Quickbook offers an online product for those wanting a web-based solution.

LFC has partnered with a Intuit reseller to provide great pricing on all Quickbooks products.

Contact LFC to learn how we can help you with selecting the products that best fit your business.

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**Trivia
 Answers**

1. 1967
2. 1926
3. 2007
4. 1965
5. 1969
6. 1783
7. 1964
8. 1992
9. 1981
10. 1865
11. 1866
12. 1896
13. 1941
14. 1987
15. 1998
16. 1889

**Who pays federal income taxes?
 Tax Year 2016**

AGI % Ranking

Top 1%	37.32%
Top 5%	58.23%
Top 10%	69.47%
Top 25%	85.97%
Top 50%	96.96%
Bottom 50%	3.04%

Source:

National Taxpayers Union Foundation
 2/14/2019

Economy

The Covid-19 pandemic has had impact on our economy to an extent many had not anticipated. From a severe downturn in economic activity to bankruptcy filings (JC Penny and Pier 1 Imports to name a few), the economy has taken quite a hit.

The stock market had been impacted severely as well: the DJIA dropped 37% from 2/12/20 to 3/23/20. Fortunately, it has ticked up and much of the gains have been recovered over the summer months.

Yet, add to this, federal aid to individuals and small businesses through the CARES ACT have ballooned federal spending to \$6 Tril-

lion and produced a deficit of \$3 Trillion. One unintended consequence of the federal relief to individuals has been a shortage of workers as the economy has begun to pick up during the summer months.

The shortage of workers is a result of enhanced unemployment benefits the federal government provided when businesses began to lay off workers. Those facing unemployment were provided an additional \$600 per week to their state unemployment benefits. The federal government felt a need to provide additional resources to those laid off due to no fault of their own as a result of the pandemic.

However, now that the economy is beginning to

pick up, many businesses that laid off their workers are finding it difficult to call the workers back because the additional money provided through unemployment is discouraging them to go back to work.

It will be interesting to see what happens in the weeks and months ahead. The impact of the downward slump has yet to be felt by malls and other commercial real estate companies. With retail establishments struggling along with restaurants who have been severely impacted by closure orders from state governments, the fallout to the commercial real estate business could be catastrophic.

Up-coming election

The 2020 presidential election is coming rapidly upon us. In some cases, early voting has already started. It will be interesting to see what economic policies and vision will be focal points to the individual campaigns.

The president is continuing his 'America First' vision and better trade deals with foreign countries. Deregulation and a lower tax burden have been centerpieces to the Administrations policies during the first term.

The opponent to the presi-

dent has laid out some proposals on tax policy. Higher taxes for the wealthy, refundable tax credits for the middle class, and stimulus checks have been considered along with tax increases on corporations and the pharmaceutical industry.

It is hard to say what will happen with the election (what party will win) but if coronavirus is still a problem and lock-downs in states still exist, any proposal now by a candidate will have to be put aside. The decreased economic activity from coronavirus along with the lockdowns

have decreased tax receipts to both federal and state coffers. Thus, budget deficits will warrant new thinking on how to generate revenue without jeopardizing vital governmental programs.

Whatever the policy proposals the candidates offer, they will have to deal with conditions not seen in many years: a severe economic downturn.

The policy direction taken by the eventual winner will determine if we regain prosperity or continue with an economic slump.