



Liberty Financial Consulting, Inc.

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

History Trivia Who was president?

1. Branch Davidian Raid—Waco, TX
2. US pulls out of 1980 Moscow Olympics
3. Stock market crash of 1929
4. Fired air traffic controllers
5. Signed Social Security Act into law
6. Cuban missile crisis
7. Presided over first \$1 Billion federal budget
8. Fired Douglas McArthur
9. First president to ride in an automobile
10. Joe McCarthy senate hearings on communists at the State Department
11. 1st president to deliver inaugural address on TV
12. President when California become a state
13. President during WWI
14. In Farwell address, warns America of the 'military-industrial complex'
15. Signed Medicare Act into law
16. Nominated Clarence Thomas to the Supreme Court

Spring/Summer 2021

The first months of 2021 have been interesting to say the least. LFC has seen one of the more challenging tax seasons in its history. Covid provisions that expanded the tax code further as a means to respond to state lockdowns, the state of Minnesota not conforming to the provisions, along with the MN state legislature not addressing important issues such as the taxability of unemployment benefits or PPP loans which provided businesses a lifeline during the lockdowns.

The Minnesota legislature's hesitancy put tax preparers and clients in limbo for much of the tax season. It was not known whether Minnesota would act before the session was set to end in May. This put clients in a

bind on whether to file their taxes now and then amend later if the state acted. Or, wait to see if the state would act before the tax deadline. If they did not, file an extension and deal with it later.

In past years, tax legislation was dealing with provisions for the up-coming tax year. Once a year closed, retroactive fixes were rare. But this year, in particular, tax payers were waiting to see what the state would do in regard to Covid provisions.

Taxpayers want consistency and stability when it comes to the tax code. Frequent changes and modifications frustrate clients and tax preparers. It is also challenging for software developers. Once changes are

made, it takes time for those changes to be implemented in software to process tax returns. New forms need to be developed and approved by the taxing authorities. Then, the software developers need time to make the forms available to the tax preparer within the software. Many times, data entry would be completed on tax returns but could not be finalized because new forms had not yet been approved. Thus, delays were frequent in this year's processing of returns.

We are hoping future tax seasons are nothing like 2021.

LFC

Economy—2021

During 2020, the economy suffered greatly due to state lockdowns in response to the Coronavirus. In the ensuing months, states had begun to lift lockdown orders as more people became vaccinated and cases for the virus dropped.

What we are seeing now are the ramifications of lockdown orders and public policy blunders made during the last 18 months:

- As the economy begins to expand, businesses are now have difficulty filling positions due to expanded unemployment benefits during the lockdown. Millions of jobs are open, yet business cannot find workers.

- Major real estate holding company, Washington Prime, which owns 100 malls across America, filed for bankruptcy in June.
- According to the US Labor Department, inflation is now at 5% annually.

Public policy decisions such as expanded UI benefits incentivizes workers to delay re-entering the work force. This will have tremendous impact on future growth of the economy.

The bankruptcy filing of Washington Prime could be the tip of the iceberg. Many lockdown orders allowed large company retail to remain open while small shops were forced to close. The economy will be severely damaged if more com

mercial real estate firms declare bankruptcy.

The economy is now seeing an inflation rate not seen since the 1990s. The covid relief programs were financed by borrowed or printed money. This expansion of government spending is not sustainable and could be disastrous. We can see the effects of this now in the increased prices for food, energy, and consumer goods. Prior to 2021, inflation rate for much of the 2000s had been averaging between 1.5% to 3.84%. According to the Bureau of Labor Statistics, inflation has not been 5% since 1990.

There are reasons to be very

How LFC helped clients during Covid

The business community has been impacted greatly since the coronavirus became an issue in Feb/March of 2020. The total economic impact has not yet fully been assessed because some states are still in some form of lockdown while other states are more open. In Minnesota, it was only recently that mask requirements were lifted for most situations.

LFC has had to deal with multiple challenges with regard to its clients. Some clients have managed through the crisis, while others have had dramatically diminished sales activity or closed.

LFC provided assistance to clients in a number of ways during this time:

- Payroll Protection Program (PPP) loan application process
- New IRS provision from Covid legislation
- MN non-conformity to IRS provisions

The challenge with the PPP loan application process was the inconsistencies with how banks processed forms. The forms were modified during the process,

causing delays in submissions. It appeared that the whole process had been rushed and the SBA (Small Business Administration) was not clear in its communication to businesses.

LFC has worked with clients to address the covid provisions that come out during 2020. LFC assisted business and individual clients in taking advantage of the tax changes to help work through the impact of covid on their businesses and personal situations.

The covid situation provided an opportunity for businesses to examine other parts of their business and determine where cost savings could occur. LFC has provided assistance to clients implementing cost saving systems in the areas of:

- Credit card processing
- Automating bill paying
- Reducing payroll processing costs

This has actually been a good time for businesses to examine their processes and determine if they can indeed save money. LFC is doing its part to assist clients in these areas.

Working with Liberty Financial

Over the years, LFC has worked to make doing business as enjoyable as possible for its clients. The business was built on the following focus:

- Reliability
- Knowledge

Reliability may be the most important aspect. If one cannot be relied upon to get work done, one will not be in business very long. It will not matter how much you know. If you are not reliable, clients will grow frustrated and eventually take their business elsewhere.

Yet, knowledge must be coupled with reliability to be successful. You do need

to know what you are doing. The speed of change in technology and tax law has placed a great demand on accountants. You must know what to do, or know where to go to get answers. The requirement to always be learning something new is tantamount to success.

With these changes, LFC has managed through it all: creating a client base that consists of individuals to multi-million \$ enterprises. Some clients have been with LFC for many years, and hopefully, with many more years to come. And, LFC will continue to partner with Intuit to provide quality products for its clients' accounting needs.

Liberty Financial Consulting Inc.

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.

(651) 204-6577

Phone: 651 204 6577
 Cell: 612 462 2163
 email: accounting@lfconin.com
 Website: www.lfconin.com



**Trivia
 Answers**

1. Bill Clinton
2. Jimmy Carter
3. Herbert Hoover
4. Ronald Reagan
5. Franklin Roosevelt
6. John Kennedy
7. Benjamin Harrison
8. Harry Truman
9. William McKinley
10. Harry Truman/Dwight Eisenhower
11. Harry Truman
12. James Polk
13. Woodrow Wilson
14. Dwight Eisenhower
15. Lyndon Johnson
16. George H.W. Bush

**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—continued:

worried about inflation. Not only because of extended and enhanced UI benefits, but the relief programs offered to business during the lockdown. They include:

- Payroll protection loans
- Payroll tax credits
- Grant programs from cities and counties

The amount of borrowed and printed money to finance these programs is staggering. The federal government had been generating record tax receipts prior to lockdowns. Now, with an economy that had contracted and reducing the revenue to the federal government, borrowing and printing is the only way these relief programs could be financed.

Inevitably, the additional money supply in circulation has forced up prices. One only needs to visit the local gas station or grocery store to see what has happened.

Other economic issues that are of concern to businesses include:

- \$15/hr minimum wage proposal
- Possible income and capital gains tax increases
- pipeline closures affecting energy prices
- resurgence of the coronavirus, forcing additional state lockdowns

It is hard to know what the future holds in regard to new policy initiatives. What we do know is that an elec-

tion will be coming up in about 18 months. Politicians and policy makers are usually hesitant to impose dramatic policy changes during election time.

We hope that no new major policy initiatives are proposed and passed into law in the next year or so. For what businesses have gone through the last 18 months, many cannot absorb any more additional burdens placed on them and survive.

Businesses want to see a return to pre-lockdown conditions. Let's hope politicians and policy makers resist the temptation to 'do something' to help the economy, yet actually aggravates the current economic climate.

Tax Season –2022

The 2021 tax season was challenging to say the least. It was difficult for business clients along with individual clients. Businesses had a difficult time deciding when to file or do an extension due to covid provisions and the state of Minnesota's indecisiveness during the legislative session. Also, the Individual tax return deadline was extended to May 15.

LFC would like to take this time to begin the 2022 tax planning now. Here are suggestions that will help with next year's tax preparation:

Businesses

- Work to have your Quickbooks file finalized for taxes as soon as possible next year. This includes fixed asset list, bank and credit card reconciliations.
- Make sure all payroll data and reports are completed by 1/31/22.

Individuals

- Collect all necessary documents as soon as possible. These include W2s, 1099s, 1098s, asset purchases and sales, business K1s.

- Use the data transfer system through LFC tax software.
- Provide extensive list of charitable deductions along with details of contributions of property.

A pro-active approach to data collection and transfer of data to LFC will make for a much smoother 2022. Please call the LFC office if you have questions or need help.