



Liberty Financial Consulting, Inc.

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

History Trivia The 1960s

1. Pilot of spy plane that crashed in Soviet Union in 1960 that sparked an international incident between US & USSR.
2. 1960 presidential candidates.
3. Year and city JFK assassinated.
4. Governor of California from 1967 to 1975.
5. Music Festival—August 1969
6. Year of 1st Beatles tour of America.
7. New York Yankee player who broke Babe Ruth's home run record and year.
8. Presidential farewell address warning America of the 'military industrial complex'.
9. President who refused to seek a 2nd term in 1968.
10. Number of states won by Richard Nixon in 1968 election.
11. 1964 Republican presidential candidate.
12. Year USA first sent combat troops to Vietnam.
13. Ohio University that saw National Guard soldiers confront student protestors, which ended with 4 students killed.

Fall/Winter 2021

2021 has proven to be one of the more 'interesting' years in the history of LFC. Although LFC had been able to conduct business as normally as possible, Covid protocols instituted by some clients forced LFC to perform what was once on-site accounting activity to remote office work. Or, on-site hours had been diminished due to decreased business activity.

Other issues encountered this year were related to tax preparation work for the 2020 tax year. The season consisted of many challenges not seen in previous years:

- Extensive Covid tax provisions passed during 2020
- Payroll Protection loan and forgiveness activity for clients who applied for this loan assistance
- Delay by the state of MN in addressing Covid provisions and their tax status
- Software provider in limbo waiting for state of MN to act on Covid provisions

All of this activity was going on at the same time tax returns that could be pro-

cessed were being processed, and accounting clients that needed on-going support were being served.

Despite the issues encountered, we managed to serve our clients well. And, as the 2021 tax season approaches, we feel prepared to take on similar challenges that are placed before us as the 2020 tax season did.

LFC

Economy—2021

In the previous edition of the newsletter, we discussed the topic of inflation. We have begun to see inflation levels this year reminiscent of the 1990's. Since the last newsletter, we have much to add to this discussion.

The federal government has recently enacted a new bill that is nearly \$2 Trillion for infrastructure. This bill, together with previous legislation, has added trillions of dollars to the national debt. At the time of this print, additional legislation is being proposed that will add trillions more.

This runaway spending has the potential to ignite inflation to levels we have not seen in decades.

Inflation is purely a monetary issue. It is by definition 'too many dollars chasing too few goods'. The expansion of the money supply (from April 2020 to June 2021, up 30%), coupled with the supply chain crisis at our ports, could create an untenable situation for consumers.

At this time, we are seeing shortages in cars, computer chips, plastics, lumber, and furniture as examples.

As the supply of products has

been squeezed by transportation and delivery issues, the rise of the money supply has created a bidding war on items that are available for sale, thus adding inflationary pressure on prices for goods.

Until the federal government gets a handle on excessive spending and we solve the issues at our ports, we will have a prolonged problem of inflation and shortages of basic products.

Taxes

Taxpayers are confronted with various taxes as they receive salaries and wages, sell assets, or earned interest and capital gains.

The tax rates that one must know are the following:

- Marginal income tax rate
- Capital gains rate

Marginal income tax rate refers to the tax bracket one is in when the next dollar of income is earned. It also tells taxpayers what their tax savings will be on the next dollar of deduction.

Capital gains rates are tax rates on the sales of assets. There are, however, two types of capital gains taxes: short-term and long-term. Short-term capital gains are assessed on assets sold that were held for less than 1 year. Its capital gain tax rate is the marginal tax rate on the taxpayer's regular income.

Long-term capital gains are assessed on assets sold which were held for more than 1 year. For those with taxable in-

come of less than \$80,000, their long-term capital gains rate is 0%. For those with taxable income between \$80,000 and \$441,450 (single filer), the long-term rate is 15%. The capital gains rates could be higher under other circumstances, but most taxpayers would fall under these rules.

Since the information above is federal only, one would need to include the state income tax rates in determining the tax impact of taxable transactions. In Minnesota, marginal rates range from 5.35% to 9.85%.

Knowing the tax rates on taxable events will help taxpayers better understand the implications before they decide to work more, sell a stock, or start of business. Taxpayers need to ensure that they are paying the proper amount of taxes on their income. Updating one's W4 and estimated tax payments during the year will help guard against any shortfalls in taxes paid when tax returns are filed next year. LFC can help taxpayers with W4s and estimated tax payment calculations. Contact the LFC office for assistance.

Importance of profession help

As technology advances, people are able to do more at their fingertips (cell phones) than they could in any prior generation. This technology advance has several downsides—it provides an opportunity for people to think they do not need professional help as they did before. Information on any subject is available immediately. With a quick internet search, one can have the answer to any question regarding medicine, finances, or any other topic.

Another downside is it has turned business into a transactional endeavor rather than a relationship-building enterprise. There are still businesses today that focus on building relationships

(businesses in the financial industry—which includes accounting), but even traditional relationship businesses are more transactional—medicine—than they have been in the past.

With 20 years in business, LFC has worked hard to develop and cultivate relationships, despite the changes within its industry. We have always focused on 2 things to build the business: reliability & dependability. We think we have done a good job at serving clients and we hope to continue for more years to come.

We wish our clients a happy and prosperous 2022!

*Liberty
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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.

(651) 204-6577

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



**Trivia
Answers**

1. Gary Powers
2. Richard Nixon & John Kennedy
3. 1963—Dallas
4. Ronald Reagan
5. Woodstock
6. 1964
7. Roger Maris—1961
8. Dwight Eisenhower
9. Lyndon Johnson
10. 32
11. Barry Goldwater
12. 1964
13. Kent State

**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

20 years for LFC

2022 will mark the 20th anniversary of LFC. The business has endured many challenges: changes in technology, clients opening and closing businesses, tax law changes, Covid restrictions, and much more.

At LFC, we consider the technology and tax law changes the most challenging over the years. The speed and frequency in changes to accounting and tax software, plus the changes made to the tax code are the most significant developments in the accounting industry during this time. Software changes are simply the result of technological innovation and increased competition. The tax code changes are the result of changes in political climate and the growth of government into our daily lives.

In the beginning, LFC worked with a Quickbooks desktop program that was basic, simple and ideal for most small businesses. Today, we have 3 versions of desktop software, and a robust online product (including a mobile version), plus 3rd party apps to provide additional features to enhance the overall software experience.

These continual changes have been challenging at times. But clients need the best possible solution for

their companies, so LFC works to stay on top of these changes for the client. In 2014, LFC began to partner with a local Quickbooks reseller to provide greater software support for its clients. This has been most helpful in service to clients with more complex software needs. This includes networking of the desktop version for those who want the features of desktop software and easy access to it.

This relationship has also allowed LFC the ability to offer discounts on the software and other supplies to its clients. So clients can feel good that LFC will take care of their needs and look to get the best possible prices on their software.

In regard to tax law changes, this began in the early years of LFC. The 2001 Tax Law was a tax law that had a 10 year sunset provision with a major enhancement in 2003. Over the 10 year period, its provisions were gradually phased in. By 2010, it was set to expire, but it was extended for 2 years. In 2014, the law became permanent.

2017 was the next major change in tax policy. This tax law has virtually eliminated the necessity for taxpayers to itemize their deductions. It also made major changes in the deductibility of dependents and child credits. It also provided significant savings

through changes in tax brackets and deductions for businesses.

What has made the tax code most challenging over the years is keeping on top of the current years provisions. The tax law changes are no longer a matter of simple inflation adjustments or expansion of tax brackets. It is the phase-in or phase-out of major provisions over the years that has made tax planning for individuals and businesses difficult.

Plus, additional tax provisions initiated due to the Covid-19 pandemic, which adds additional burden to taxpayers, tax prep businesses, and software manufacturers. These types of additions are especially difficult to deal with because they occur in the middle of the tax preparation season. The other aspect is whether the state of MN (or any other state) will conform to the new provisions.

Overall, LFC has managed through all the challenges and we expect to do so in the years to come.