



2025 WICPA TAX CONFERENCE

YOUR SOURCE FOR KEY UPDATES & INSIGHTS ON TIMELY ISSUES

HIGHLIGHTED TOPICS:



WISCONSIN TAX UPDATE

Get the latest updates on Wisconsin case law as well as recent legislative and administrative developments that have occurred in the past year



HOT TAX PRACTICE & PROCEDURE & ETHICS ISSUES

Get the latest "hot" IRS practice and procedure and ethics issues, along with mistakes practitioners should avoid



FEDERAL TAX UPDATE: UNPACKING OBBA

Take a deep dive into the One Big Beautiful Bill Act and learn what matters most to your clients

MONDAY, NOV. 10 & TUESDAY, NOV. 11
BROOKFIELD CONFERENCE CENTER & WICPA CPE LIVESTREAM

MATERIALS AT A GLANCE

The following materials are from the Tuesday morning sessions of the 2025 WICPA Tax Conference held on Monday, Nov. 10 & Tuesday, Nov. 11, including:

- Wisconsin Tax Update
- Wisconsin Department of Revenue: Income, Sales & Excise Tax Update
- International Tax Changes in the Big Beautiful Bill: Bye-Bye, QBAI & Welcome Back, Credits!
- The Candidate Experience: Your Employment Brand in Action & Pathways to CPA Legislation Update

VIEW THOUSANDS OF ADDITIONAL IN-PERSON AND ONLINE CPE OPPORTUNITIES AT [WICPA.ORG/CPECATALOG](https://www.wicpa.org/cpecatalog)

Your money works here.®



Tailored solutions, trusted expertise.



Associated Bank Private Wealth provides individuals, organizations and institutions with customized financial and wealth planning solutions built around your goals.

Retirement Plan Services - A results-driven approach to employer sponsored retirement plans that reduces administrative burdens and helps employees achieve financial success.

Private Banking - Exclusive accounts, tailored financial solutions and customized lending for your unique needs.

Investment Management and Trust - Tailored investment strategies, wealth management and comprehensive trust services to protect and grow your legacy.

Institutional Services - Expert guidance and robust financial solutions to help organizations reach their goals.

Learn more at AssociatedBank.com/PrivateWealth.

Deposit and loan products are offered by Associated Bank, N.A. Loan products are subject to credit approval and involve interest and other costs. Please ask about details on fees and terms and conditions of these products. Relevant insurance coverage, if applicable, will be required on collateral. Associated Bank, N.A. Member FDIC.



Investment, Securities and Insurance Products:

NOT FDIC INSURED	NOT BANK GUARANTEED	MAY LOSE VALUE	NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY	NOT A DEPOSIT
------------------	---------------------	----------------	--	---------------

Associated Bank and Associated Bank Private Wealth are marketing names AB-C uses for products and services offered by its affiliates. Securities and investment advisory services are offered by Associated Investment Services, Inc. (AIS), member FINRA/SIPC; insurance products are offered by licensed agents of AIS; deposit and loan products and services are offered through Associated Bank, N.A. (ABNA); investment management, fiduciary, administrative and planning services are offered through Associated Trust Company, N.A. (ATC); and Kellogg Asset Management, LLC® (KAM) provides investment management services to AB-C affiliates. AIS, ABNA, ATC, and KAM are all direct or indirect, wholly-owned subsidiaries of AB-C. AB-C and its affiliates do not provide tax, legal or accounting advice. Please consult with your advisors regarding your individual situation. (1/25) W147533



GUIDING CPAS & THEIR CLIENTS THROUGH TAX REFORM

Take Advantage of Tax Credits and Incentives

OUR PROCESS



OUR SERVICES

COMPLIMENTARY

Feasibility & Evaluation

OPTIMIZED

Calculation & Substantiation

STREAMLINED

Process & Communication

- ✓ Federal & State **R&D TAX CREDIT**
- ✓ **179D DEDUCTION**
- ✓ **CPA SERVICES**
- ✓ **GLOBAL INCENTIVE PROGRAMS** & more

Questions?
Contact us today!

EPSA is proud to be an
**Affinity Partner &
GOLD SPONSOR**



Samuel Koch

+1 (262) 875 2780
skoch@epsa.com

**EXCLUSIVE SAVINGS FOR
WICPA MEMBERS—
MAXIMIZE TAX BENEFITS
TODAY!**

20% Member Discount on EPSA Services

EPSA USA - (215) 709 3245 . info-usa@epsa.com

Your success. Our success.

With offices across the state and a deep bench of experienced attorneys, Godfrey & Kahn provides ***proactive solutions*** and ***strategic legal advice*** to many of Wisconsin's most vibrant and innovative businesses.

**TOP
WORK
PLACES
2025**

journal sentinel

GODFREY  KAHN

We think business.

Learn more at
GKLAW.COM

OFFICES IN MILWAUKEE, MADISON, GREEN BAY, APPLETON AND EAU CLAIRE, WISCONSIN AND WASHINGTON, D.C.



MADRAS ACCOUNTANCY

Offshore Expertise in Tax, Accounting, Audit & Assurance, and Fractional CFO

Why Us?

Experienced Team - Trained professionals capable of handling high-level reviews, not just data entry.

Scalable Staffing - Quickly source top talent from a vast pool of resumes within 1-2 weeks.

Dedicated Contacts - Domain-specific points of contact, including a local US representative.

US-Aligned Timings - Flexible schedules matching US work hours; no adjustments on your end.

Data Security - SOC II Type 2 and ISO 27001 certifications in progress, ensuring robust data security by July 2025.

Process-Driven - Seamless approach from resource identification to onboarding and integration.

Software Expertise - Proficient in widely-used Tax, Accounting, and Audit & Assurance software.

About Us

Madras Accountancy offers small & mid-sized CPA firms in the U.S. a smarter route to growth with offshored Tax, Audit, Accounting, and Fractional CFO services.

10+

Years of
Operations

3

Offshore
Centers in
India

HQ

In CA, USA

160+

Employees on
payroll

60+

CPA Partner
Firms

98%

Client
Retention

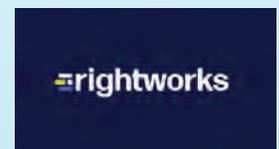
Services

- ✓ Tax Preparation & Planning
- ✓ Accounting & Book-keeping
- ✓ Audit & Assurance
- ✓ Payroll & 1099 filing
- ✓ Sales Tax
- ✓ Fractional CFO

Few of Our Trusted Clients



Affiliations & Associations





Big enough to know business. Local enough to know you.

Talk to us for expert guidance, local decision-making, and results that last.

Look to North Shore Bank's experienced and local Commercial Banking team to support your business needs. With lending options for purchase, expansion, and acquisition along with the latest in treasury management, you get the financial tools to enhance your day-to-day activities so you can get your money quickly and safely all from a local bank you can trust.

➔ **Visit northshorebank.com/business
or call 262-797-3349 to learn more.**



**NORTH
SHORE
BANK**

CYBER
THREATS ARE
INCREASING
EVERY DAY.

75%

of accounting firms believe they would only be able to survive **three to seven days** after a ransomware attack.

Source: www.cpapracticeadvisor.com



Choose Ontech to protect your data

1

Expertise in Cybersecurity

Robust security for your sensitive data

2

Compliance with Regulations

AICPA Code of Conduct & IRS Guidelines

3

Proactive Monitoring/Support

Respond quickly to minimize downtime

4

Customized Solutions

Designed to meet specific CPA firm needs

5

Training & Awareness

Helping your staff recognize cyber threats



Ontech's tailored solutions and transparent billing make us the ideal choice for CPAs and accountants. Don't wait to safeguard your data. Contact Ontech Systems today for a **FREE risk assessment** of your network!

75%

of accounting firms believe they would only be able to survive **three to seven days** after a ransomware attack.

Source: www.cpapracticeadvisor.com

CPA firms are increasingly targeted due to their access to sensitive financial information. Since 2014 reported data breaches of CPA firms have increased **over 80%** with ransomware extortion incidents rising to **over 40%** since 2018.

Choosing Ontech to manage your CPA firm's IT & protect your data can offer several advantages:

- Expertise in Cybersecurity:** Our staff specializes in cybersecurity to ensure your firm's sensitive financial data is protected against the latest threats. We always implement robust security measures & regular security audits.
- Compliance with Regulations:** Ontech helps ensure your firm complies with industry regulations and standards, such as the AICPA Code of Professional Conduct and IRS guidelines for safeguarding taxpayer data.
- Proactive Monitoring and Support:** We provide continuous monitoring to detect & respond to potential threats quickly. This proactive approach minimizes downtime and keeps your operations running smoothly.
- Customized Solutions:** Our team offers tailored IT solutions to meet the specific needs of CPA firms. This includes secure cloud services, data backup and recovery, and network management.
- Training and Awareness:** They also provide training for your staff to recognize and respond to cyber threats, enhancing your firm's overall security posture.

Our tailored solutions, transparent billing, and commitment to minimizing technical issues make it an ideal choice for CPA's and accountants. Let us help safeguard your critical data!



Get a free risk assessment of your firm's network today at www.ontech.com!

FTC SAFEGUARD CHECKLIST

WHO'S AFFECTED & WHAT'S REQUIRED



The **FTC Safeguards Rule** applies to “**financial institutions**”, including:



Car Dealerships



Retailers



Tax Preparers



Accounting Firms



Loan Companies



Any Business **Collecting Financial Data!**

Here's What's Required To Stay Compliant:



Designate a Qualified Individual

Assign someone (**internal or outsourced**) to be responsible for your information security program.



Conduct a Risk Assessment

Identify internal and external risks to customer data. This is ongoing, **not a one-time event!**



Train Your Team

Security is everyone's responsibility, so your employees need ongoing training on data protection and phishing awareness. **We can help with this!**



Monitor Your Service Providers

If you outsource IT, payroll, marketing, or data processing, **those vendors must also comply.**



Keep It Updated

Regularly review and **adjust** your security program as your business or threats evolve.



Implement Safeguards

Based on your risk assessment, put the right controls in place. **These typically include:**

- Access controls (who can access what, and why)
- Encryption of customer data
- Multi-Factor Authentication (MFA)
- Secure data disposal policies
- Logging and monitoring access and activity



Create an Incident Response Plan

Be ready with a plan if (**or when**) a data breach occurs. The FTC expects a **structured response strategy.**

Why It Matters: *Non-compliance can lead to:*



Hefty fines



Damaged reputation



Loss of trust with customers

Luckily, we help local businesses like yours **navigate FTC requirements with confidence!**

NEED HELP GETTING COMPLIANT?



(262) 423 6267



help@p3ctech.com



COMPLETE BUSINESS PROTECTION

LOOKING FOR PROFESSIONAL LIABILITY COVERAGE? PEARL INSURANCE IS THE ANSWER.

- **Highly Rated Carrier:** AXA XL is rated (A+) by A.M. Best—one of the highest you can earn.
- **Stacking Deductible Waivers:** Get up to \$50,000 of your deductible waived through early resolution, settlement through arbitration/mediation, and/or the use of an engagement letter—that's real savings!
- **Integrated Team:** Sales, underwriting, and retention are all under one roof for faster turnarounds to save you time.
- **Customer Satisfaction:** We're proud to have a renewal rate of over 90%.*

Plus, ask about additional commercial coverages. We're a full-service brokerage and we can handle all your insurance needs.



AXA XL is a division of AXA Group providing products and services through our four business groups: AXA XL Insurance, AXA XL Reinsurance, AXA XL Art & Lifestyle and AXA XL Risk Consulting. Coverage is underwritten by the following AXA XL companies: Greenwich Insurance Company and Indian Harbor Insurance Company. Not all insurers do business in all jurisdictions nor is coverage available in all jurisdictions. AXA, the AXA and XL logos are trademarks of AXA SA or its affiliates.

*based on 2020 Client Retention Rates

CONTACT AN INSURANCE SPECIALIST AND LEARN MORE TODAY!
(800) 619-1914 | pearlinsurance.com/WICPA

Your Bottom Line is Our Bottom Line



We provide cost-effective, practical solutions to your tax and legal challenges. Drawing on deep experience across a wide range of issues, our attorneys are adept at working the entire continuum of tax law, from reducing tax burdens to defending audits to tax controversy and litigation.

Michael G. Goller
Tax Department Shareholder
414.298.8336
mgoller@reinhartlaw.com



**SPECTRUM
PATHWAY**
GROUP 401(K) PLAN

An Innovative 401(k) Plan Solution

A Pooled Employer Plan (PEP) delivers powerful advantages that save time, streamline costs, and offer modern features.

Spectrum Pathway Key Features

With a PEP, you can rely on professionals to handle your administrative and fiduciary duties. This allows you to delegate many of the plan responsibilities, alleviating stress and freeing up your valuable time.

Simplified Administration

Easy Setup & Maintenance

Shared Admin & Plan Costs

Plan Design Flexibility

Spectrum Investment Advisors helps businesses make the most of their retirement benefits. Whether you're starting fresh or enhancing an existing plan, our dedicated team will guide you every step of the way.

Contact us today.



Spectrum Investment Advisors

6329 West Mequon Rd.

Mequon, WI 53092

262-238-4010

www.spectruminvestor.com

Spectrum Investment Advisors, Inc. is an SEC registered investment adviser located in Mequon, WI. Registration with the SEC does not imply a certain level of skill or training. Our Privacy Notice, as well as our Form ADV Parts 2A and 2B and our Form CRS are available for you to view at: <https://spectruminvestor.com/disclosures/>



Your wealth, our guidance

Markets move. Emotions rise. But your financial plan shouldn't waver.

At The Burish Group, we help investors navigate uncertainty with proven strategies, personalized guidance, and a calm, disciplined approach. Whether you're planning for retirement, preserving wealth, or seeking growth, we'll help you stay focused on what matters most—your long-term goals.

The Burish Group
UBS Financial Services Inc.
burishgroup@ubs.com

Madison
8020 Excelsior Drive
Madison WI 53717
608-831-4282

Brookfield
17335 Golf Parkway, Suite 525
Brookfield, WI 53045
262-794-0872



Scan the QR code to visit our website and start the conversation about your financial plan.

Over \$6.5 billion in local assets under management.*



*As of August 1, 2025. As a firm providing wealth management services to clients, UBS Financial Services Inc. offers investment advisory services in its capacity as an SEC-registered investment adviser and brokerage services in its capacity as an SEC-registered broker-dealer. Investment advisory services and brokerage services are separate and distinct, differ in material ways and are governed by different laws and separate arrangements. It is important that you understand the ways in which we conduct business, and that you carefully read the agreements and disclosures that we provide to you about the products or services we offer. For more information, please review the client relationship summary provided at ubs.com/relationshipsummary, or ask your UBS Financial Advisor for a copy. © UBS 2025. All rights reserved. UBS Financial Services Inc. is a subsidiary of UBS Group AG. Member FINRA/SIPC. VIP_08142025-1.1 Exp.: 08/31/2026

YOUR TRUSTED TAX SOLUTION

The Tax Section of von Briesen & Roper, s.c. is your resource for tax situations ranging from traditional tax planning for all types of business transactions to the more complex including: State and Federal Voluntary Disclosures, State and Federal Appeals and Litigation, FBAR/Foreign Asset Disclosures, Employee Compensation Planning, Entity Reorganizations, Property Tax Exemption Requests, Employee Classification Issues and State Tax Nexus Issues. Our knowledge and experience have positioned us to be your trusted solution on unique tax matters. *The bottom line? We get results.*

To learn more about our Tax Section, please contact Daniel Welytok at daniel.welytok@vonbriesen.com.



von Briesen

von Briesen & Roper, s.c. | Attorneys at Law

vonbriesen.com/tax

Milwaukee • Madison • Neenah • Waukesha • Green Bay • Eau Claire



CELEBRATE

**ACCOUNTING
CAREERS
MONTH**
NOVEMBER 2025



Inspire the future talent.

To help raise awareness of the accounting profession, we're looking for volunteers to go into high schools to talk about accounting as a career.

We've made it extremely easy for you to participate!

- Reach out to one or more high schools you're interested in speaking at
- Schedule a day and time with the school
- Let us know by completing the Accounting Careers Month Volunteer Form
- We'll provide you with everything you need including a presentation, talking points, tips, resources and fun gifts for students!

Get involved at wicpa.org/CareersMonth



2026
WICPA

Excellence

★ ★ ★

★ ★ A W A R D S



NOMINATE SOMEONE YOU KNOW FOR AN EXCELLENCE AWARD!

- ★ Accounting Educator
- ★ Accounting Student
- ★ Business & Management
- ★ CPA in Public Practice
- ★ Community Service
- ★ Distinguished Career
- ★ Diversity & Inclusion
- ★ Woman to Watch
- ★ Young Professional

Submit your nomination at wicpa.org/awards by Nov. 14, 2025.

Recipients will be announced in January and honored at the Member Recognition Banquet & Annual Business Meeting on May 8, 2026.

The individual nominated must be a WICPA member.

JOIN A CONFERENCE PLANNING COMMITTEE

Participate in planning a WICPA conference and enjoy:

- ⦿ FREE registration*
(a \$300-\$400 value!)
- ⦿ Exclusive networking
- ⦿ Leadership skill development
- ⦿ Recognition for your WICPA involvement
- ⦿ Informal CPE credit

* To receive free conference registration:

- attend one planning meeting ~ 2 hours
- select topics
- contact speakers
- introduce speakers at conferences

2025 CONFERENCES Accepting Volunteers

MARCH
20

BUSINESS & INDUSTRY
SPRING CONFERENCE

MAY
13

FINANCIAL INSTITUTIONS
CONFERENCE

MAY
21

SCHOOL DISTRICT AUDIT
CONFERENCE

SEPT.
9

BUSINESS & INDUSTRY
FALL CONFERENCE

SEPT.
16

NOT-FOR-PROFIT
ACCOUNTING CONFERENCE

NOV.
10-11

TAX
CONFERENCE

NOV.
20

ACCOUNTING & AUDITING
CONFERENCE

For more information or to join, email tammy@wicpa.org.



Wisconsin Tax Update WICPA 2025 Tax Conference November 11, 2025

Kristina E. Somers, Esq.
ksomers@reinhardtlaw.com
(414) 298-8249

Reinhart Boerner Van Deuren s.c.
1000 N. Water Street, Suite 1700
Milwaukee, WI 53202

Overview –

- Sales/Use Tax
- Income/Franchise Tax
- Property Taxes, Premier Resort Areas, and TIF Districts
- Excise Taxes
- Miscellaneous

Sales/Use Tax:

Recent Laws & Reminders, Cases

Sales/Use Tax:

Recent Laws & Reminders

Recent Laws: *Sales/Use Tax Exemption Expanded*

- **Exemption**

- Household Utilities (2025 Wis. Act 15, effective October 1, 2025)

- **Electricity** and **natural gas** sold for **residential use** is exempt from Wisconsin sales and use tax regardless of when it is sold

Recent Laws: Sales/Use Tax Exemption Expanded (cont'd)

- **Exemption**

- *Residential use* means:

- Use in a structure (or portion of a structure) which is a person's **permanent residence**, but does not include use in transient accommodations, motor homes, travel trailers, or other recreational vehicles

Recent Laws: *Sales/Use Tax Exemption – Information Products*

- **Exemption**

- Information Products – Used by Insurance Company
(2025 Wis. Act 15, effective October 1, 2025)

- Information products
- Containing reports, statistics, records, or other data
- Used exclusively by an insurance company
- Possessing a certificate of authority issued by the commissioner of insurance
- Purchased by the insurance company or an affiliate or used exclusively by an insurance intermediary

Recent Laws: *Sales/Use Tax Exemption – Information Products*

- **Exemption**

- For purposes of quoting, underwriting, determining insurability, assessing risks, setting rates, or adjusting claims
- *Form:* Tangible or digital
- Sales and use tax exemption certificate
 - Form S-211, *Wisconsin Sales and Use Tax Exemption Certificate*: Check the box for "other exemptions provided by law" and enter "Information Products Used by an Insurance Company"
 - S-211E, *Electronic Wisconsin Sales and Use Tax Exemption Certificate*: Check the box for "Information Products Used by an Insurance Company"

Reminder: Racine County – 0.50% Tax

- Effective April 2025
- Combined state and county rate = 5.50%

Reminder: Manitowoc County – 0.50% Tax

- Effective January 1, 2025
- Combined state and county rate = 5.50%

Reminder: *Qualified Data Centers*

- Exemption for purchases - Wis. Stat. § 77.54(70)
- Certification by the Wisconsin Economic Development Corporation
 - Degas LLC – Beaver Dam, certification February 18, 2025
 - Epic Hosting, LLC – Verona, certification September 24, 2024
 - Microsoft – Mount Pleasant, certification October 1, 2023

Sales/Use Tax:

Cases

Cases: *StubHub v. Wisconsin Department of Revenue (Wisconsin Tax Appeals Commission, Feb. 28, 2023)*

- **Facts:**
 - StubHub operated an online marketplace where businesses and individuals sold tickets to sporting events, concerts, theater, and other live entertainment services. StubHub participated in other business activities to promote its online marketplace for the purchase and sale of tickets.
 - Buyers made one payment to StubHub which consisted of the ticket price set by the ticketholder and the fees charged to the buyer by StubHub. StubHub next paid itself the fees due it from the ticketholder and the buyer and then sent the remaining monies paid by the buyer to the ticketholder.
 - StubHub charged ticket buyers and ticketholders a fee based on a percentage of the ticket price, as well as a logistics fee. In 2013, StubHub began charging logistic fees on a per ticket basis, rather than a per order basis.

Cases: *StubHub v. Wisconsin Department of Revenue (Wisconsin Tax Appeals Commission, Feb. 28, 2023)* (cont'd)

- **Facts:**

- For the period reviewed, StubHub had in place a FanProtect Guarantee for both buyers and ticketholders. FanProtect Guarantee promised buyers valid, timely tickets. If this didn't occur StubHub promised to find suitable replacement tickets or issue a full refund. Buyers were not permitted to contact the ticketholder, the ticketholder could adjust the ticket price before the ticket sold, and the ticketholder would receive payment for tickets sold and delivered.
- The Department claimed StubHub owed sales/use tax on the full purchase price of all tickets sold by StubHub to events in Wisconsin during the audit period.
- StubHub argued it was neither a retailer nor a seller under Wisconsin law. StubHub characterized its role as "entirely passive in the sales process via its online marketplace."

Cases: *StubHub v. Wisconsin Department of Revenue (Wisconsin Tax Appeals Commission, Feb. 28, 2023)* (cont'd)

- **Issue:**

- Was StubHub selling tickets or acting as an agent and/or representative of others selling tickets?
- The Department assessed tax and penalties to StubHub.
- StubHub asserted it did not sell tickets and did not serve as an agent or representative of those who did make such sales.

Cases: *StubHub v. Wisconsin Department of Revenue (Wisconsin Tax Appeals Commission, Feb. 28, 2023)* (cont'd)

- **Holding:**

- The Wisconsin Tax Appeals Commission concluded:
 - "1. . . . StubHub was a retailer providing the service of selling taxable admissions
 - 2. . . . StubHub was liable in the alternative with the ticketholders listing tickets on StubHub's online marketplace for the sales tax . . .
 - 3. . . . StubHub has not met its burden of proving the Department's sales/use tax assessment was incorrect . . .
 - 4. . . . The Department's imposition of penalties in this appeal is not supported by the facts, law, and department publications in place at the time of the transactions at issue."

Cases: *StubHub v. Wisconsin Department of Revenue* (Dane County Circuit Court, February 1, 2024)

- Circuit Court: Reasonable persons could disagree whether terms such as "selling" and "representing sellers" apply to "running an online marketplace" and that statutes using those terms are ambiguous
- The Court stated, "Sometimes a statute has no plain meaning. A statute is ambiguous if the language reasonably gives rise to different meanings"

Cases: *StubHub v. Wisconsin Department of Revenue (Dane County Circuit Court, February 1, 2024)* (cont'd)

- The Circuit Court concluded the Commission erred by:
 1. Imposing sales tax under Wis. Stat. § 77.52, because reasonable persons could disagree about whether StubHub "sold" tickets.
 2. Interpreting the doctrine of the undisclosed principal to create sales tax liability for StubHub.
 3. Imposing sales tax under Wis. Stat. § 77.51(13)(c) because reasonable persons could disagree about whether StubHub was a "representative" of ticket sellers.
- The Circuit Court determined StubHub satisfied its burden to show it owed no sales tax and set aside the decision of the Wisconsin Tax Appeals Commission
- Decision appealed by the Department – **waiting for decision**

Income/Franchise Tax:

Recent Laws, Cases, and Guidance

Income/Franchise Tax:

Recent Laws

Income Tax - Individual

- **Expanded Second Bracket**

- 2025 Wis. Act 15
- Effective for taxable years beginning after December 31, 2024
- Income within the second bracket is taxed at a marginal rate of 4.4%
- New income thresholds for the second bracket are as follows:
 - Single, head of household, and fiduciaries: \$50,480 (increased from \$29,370)
 - Married individuals filing jointly: \$67,300 (increased from \$39,150)
 - Married individuals filing separately: \$33,650 (increased from \$19,580)

Income Tax - Individual

- Subtraction Modification – **Retirement Income**
 - 2025 Wis. Act 15
 - Effective for taxable years beginning after December 31, 2024
 - At least 67 years old as of the end of the taxable year
 - Subtraction:
 - \$24,000
 - Married individuals filing jointly: \$48,000 (both spouses at least 67 years old)

Income Tax – Individual (retirement income, cont'd)

- *Eligible retirement income:*
 - Includes payments from qualified retirement plans and IRAs that are not excluded from Wisconsin income under a separate provision of federal or Wisconsin law
- *Part-year residents:*
 - Proration (ratio of Wisconsin adjusted income to federal adjusted gross income)
- *Nonresidents:*
 - Not eligible

Income/Franchise Tax

- Film Production **Services Credit**

- 2025 Wis. Act 15

- Credit – for film production companies who produce a film, video, broadcast, advertisement, or television production in Wisconsin

- 30% of *salary/wages* paid by the claimant to the claimant's employees (WI residents) – for services rendered in Wisconsin to produce an accredited production. This portion of the credit is nonrefundable.
- 30% of *production expenditures* paid by the claimant to produce an accredited production. This portion of the credit is refundable.
- Amount = *WI sales/use taxes* paid for the purchase of tangible personal property and taxable services used directly in producing an accredited production in Wisconsin. This portion of the credit is nonrefundable.

Income/Franchise Tax

- **Film Production Company Investment Credit**
 - 2025 Wis. Act 15
 - Credit – for film production companies who produce a film, video, broadcast, advertisement, or television production in Wisconsin
 - First three (3) taxable years claimant is doing business in Wisconsin as a film production company
 - 30% of amounts paid by the claimant to establish a film production company in Wisconsin for:
 - The purchase price of depreciable, tangible personal property
 - The amount expended to acquire, construct, rehabilitate, remodel, or repair real property

Income/Franchise Tax:

Cases

Cases: *Skechers USA, Inc. v. Wisconsin Department of Revenue* (Ct. App., June 4, 2025) (unpublished)

- **Facts/Issue:**

- Application of Wis. Stat. § 71.30(2) -- allocation of gross income, deductions, credits between 2 or more businesses
- Skechers formed an intellectual property holding entity, transferred its domestic intellectual property to that subsidiary, and then licensed it back, taking a royalty deduction
- No definitive test to determine whether transactions between related entities should be respected or subject to Wis. Stat. § 71.30(2)
- Both parties asserted the decision in *Hormel Foods Corporation v. Wisconsin Department of Revenue*, 2010 WL 1367782, *15 (WTAC Mar. 29, 2010) is applicable

Cases: *Skechers USA, Inc. v. Wisconsin Department of Revenue* (Ct. App., June 4, 2025) (unpublished) (cont'd)

- **Holding:**
 - The Court of Appeals declined to apply an independently viable entity test
 - Commission's application of *Hormel* – no error, including lack of finding of valid business purpose
- **Petition for Review – filed with the Wisconsin Supreme Court**

Cases: ASAP Cruises, Inc. v. Wisconsin Department of Revenue (Ct. App., June 3, 2025) (unpublished)

- **Facts/Issue:**

- ASAP Cruises provides online platform through which independent travel agents book travel for their customers
- Tax Years 2012-2017

Cases: ASAP Cruises, Inc. v. Wisconsin Department of Revenue (Ct. App., June 3, 2025) (unpublished) (cont'd)

- **Holding:**
 - ASAP Cruises sold travel services
 - Travel services are not tangible personal property
 - Travel services are not protected by Public Law 86-272
 - “Lower limit” of protected activity = solicitation of sales of tangible personal property
- **Petition for Review – filed with the Wisconsin Supreme Court**

Cases: *Komarck v. Wisconsin Department of Revenue (Wisconsin Tax Appeals Commission, January 13, 2025)*

- **Issues:**
 - Was the taxpayer entitled to exclude \$3,000 from his income for **health insurance premiums**?
 - Was the taxpayer entitled to deduct **business losses** (claimed on Schedule C)?

Cases: *Komarck v. Wisconsin Department of Revenue (Wisconsin Tax Appeals Commission, January 13, 2025)* (cont'd)

- **Facts:**
 - Tax Years: 2017-2020
 - Health Insurance Premiums:
 - 2017: No premiums paid
 - Later years: Premiums paid directly from personal bank account
 - 2020: Single health insurance premium – in the amount of \$666.10 – made directly from Taxpayer's retirement plan to his health insurance provider

Cases: *Komarck v. Wisconsin Department of Revenue (Wisconsin Tax Appeals Commission, January 13, 2025)* (cont'd)

- **Facts:**

- Schedule C Business Losses -> related to sole proprietorship – Komarck Constr Consulting:

- Advertising
- Insurance
- Repairs and maintenance
- Travel
- Uniforms
- Janitorial
- Accounting
- Telephone
- Depreciation

Cases: Komarck v. Wisconsin Department of Revenue (Wisconsin Tax Appeals Commission, January 13, 2025) (cont'd)

- **Analysis & Holding:**

- During audit years, IRC § 402(l) allowed an exclusion, up to \$3,000 per year, for health insurance premiums paid directly from the eligible retirement plan to the provider of the health plan
- Beginning in 2022, two years after the audit years, the law was changed – to allow for direct payments from the taxpayer to the health plan provider
- Wisconsin Tax Appeals Commission lacks equitable powers
- Only single monthly health insurance premium payment allowed

Cases: *Komarck v. Wisconsin Department of Revenue (Wisconsin Tax Appeals Commission, January 13, 2025)* (cont'd)

- **Analysis & Holding:**

- Schedule C business losses – look to IRC § 183 and regulations
- Must be in trade or business = continuously and regularly involved in the activity for the primary purpose of making a profit
- Nine (9) factors
- Taxpayer conceded all Schedule C expenses, except for depreciation
- Lack of substantiation regarding how depreciation expenses were calculated
- Expenses disallowed

Cases: *Darryl & Chrissann Jaeger v. Wisconsin Department of Revenue (Wisconsin Tax Appeals Commission, January 23, 2025)*

- **Issues:**
 - Did the taxpayers operate a **for-profit business**?
 - Were they entitled to take certain **deductions** for their farming activities?

Cases: *Darryl & Chrissann Jaeger v. Wisconsin Department of Revenue (Wisconsin Tax Appeals Commission, January 23, 2025)(cont'd)*

- **Facts:**
 - Tax Years: 2018-2020
 - Income: During the audit period, the Taxpayers had W-2 wages (ranging from \$234,627 to \$446,575)
 - Cattle Feeding and Raising:
 - Darryl Jaeger began conducting cattle-related activities in 2006
 - On farmland belonging to Mr. Jaeger's uncle
 - "Business plan" created in 2018
 - Filed Schedule F

Cases: *Darryl & Chrissann Jaeger v. Wisconsin Department of Revenue (Wisconsin Tax Appeals Commission, January 23, 2025) (cont'd)*

- **Facts:**

- No separate credit card or bank account
- No documentation regarding consultation with professionals
- No membership in cattle raising or farming professional associations
- No educational participation in the business of cattle raising or other farming business topics
- No contemporaneous, detailed records of hours worked; location, timing or use of supplies
- Change in activities – in 2018 – from cattle raising to cattle care
- Worked, using vacation time, unpaid leave

Cases: *Darryl & Chrissann Jaeger v. Wisconsin Department of Revenue (Wisconsin Tax Appeals Commission, January 23, 2025) (cont'd)*

- **Facts:**

- Reported Expenses:

- Depreciation expenses – for farm equipment
- Fertilizer and lime; feed; seeds and plants
- Veterinary, breeding, and medicine
- Gas, fuel, and oil
- Repairs and maintenance expenses

Cases: *Darryl & Chrissann Jaeger v. Wisconsin Department of Revenue (Wisconsin Tax Appeals Commission, January 23, 2025) (cont'd)*

- **Holding:**
 - Cattle related activities not = activity engaged in for profit
 - Not = trade or business, for which expenses were deductible
 - For profit factors
 1. *Manner in Which the Taxpayers Conducted the Activity:*
 - Did not maintain complete and accurate books
 - Used personal bank accounts
 - No business plan and/or contemporaneous business records
 - Inconsistent answers regarding how many head of cattle owned each year
 - No veterinary expenses 1st two years and minimal expenses in 3rd year
 - Did not make changes in operations and/or adopt new techniques

Cases: *Darryl & Chrissann Jaeger v. Wisconsin Department of Revenue (Wisconsin Tax Appeals Commission, January 23, 2025) (cont'd)*

2. Expertise of the Taxpayers (or Advisors):

- Changed business model in 2018
- No evidence of research about cattle farming methods, types, or profitability
- Knowing a great deal about cattle ≠ knowing how to operate a cattle farming business for profit
- No expert advice sought
- Expertise in caring for cattle ≠ expertise in the business of cattle farming

3. Taxpayers' Time and Effort:

- Maintained off-farm jobs
- Could only work evenings, weekends, and during paid and/or unpaid leave from full time employment – no records regarding time spent on cattle-related activities

Cases: *Darryl & Chrissann Jaeger v. Wisconsin Department of Revenue* *(Wisconsin Tax Appeals Commission, January 23, 2025) (cont'd)*

4. *Expectation That Assets Used in the Activity Will Appreciate in Value:*
 - No accurate, contemporaneous records regarding number of cattle owned or costs
 - Purchased farming equipment that could sell for profit – does not support claim regarding cattle farming business

5. *Taxpayers' Success in Other Activities:*
 - W-2 income
 - No evidence of success – in cattle-related enterprise (losses every year)

Cases: *Darryl & Chrissann Jaeger v. Wisconsin Department of Revenue (Wisconsin Tax Appeals Commission, January 23, 2025) (cont'd)*

6. *Taxpayers' History of Income or Losses:*

- No profits
- Start-up phase – with change in business?

7. *Amount of Occasional Profits, If Any:*

- Only losses

8. *Financial Status of the Taxpayers:*

- Did not rely on cattle farming for income
- Substantial tax benefits

9. *Elements of Recreation or Personal Motive:*

- Rational investment of time and money for eventual gain = personal motive

Cases: *Darryl & Chrissann Jaeger v. Wisconsin Department of Revenue (Wisconsin Tax Appeals Commission, January 23, 2025) (cont'd)*

- **Holding:**
 - Based on facts during the audit period, taxpayers did not operate their cattle-related enterprise in a businesslike manner
 - Taxpayers' activities were not engaged in for profit
 - Eventual documentation to demonstrate ownership of cattle, sale of cattle, and income from sales could support a trade or business engaged in for profit
 - Tax avoidance?

Cases: *Willie and Rita Hyche v. Wisconsin Department of Revenue* (*Wisconsin Tax Appeals Commission, July 31, 2025*)

- **Issues:**
 - Did the taxpayers operate a **for-profit business**?
 - And therefore were they entitled to take certain **deductions**?
 - What **charitable deductions** were the taxpayers eligible to claim?

Cases: *Willie and Rita Hyche v. Wisconsin Department of Revenue (Wisconsin Tax Appeals Commission, July 31, 2025)* (cont'd)

- **Facts:**
 - Tax Years: 2018-2021
 - Income: During the audit period, retirement income (all years), wages (2020 and 2021), and social security income
 - Trading:
 - Willie Hyche began trading stocks in 2002
 - Occupation reported as “Stock Trader” or “Day Trader”
 - Capital gains reported on both Schedule C and Schedule D

Cases: Willie and Rita Hyché v. Wisconsin Department of Revenue (Wisconsin Tax Appeals Commission, July 31, 2025) (cont'd)

- **Facts:**
 - No separate business bank account
 - No business plan
 - No business records
 - No documentary evidence substantiating deductions for payment for professional tax or legal advising services for the day trading business
 - No certifications, licenses, credentials or proof of enrollment in any educational program or course demonstrating taxpayers had obtained professional knowledge to carry on day trading activity for profit
 - Trades limited to taxpayers' IRA

Cases: *Willie and Rita Hyché v. Wisconsin Department of Revenue (Wisconsin Tax Appeals Commission, July 31, 2025)* (cont'd)

- **Facts:**

- Reported Expenses:

- Depreciation expenses
- Car and truck expenses
- Commissions and fees
- Legal and professional fees
- Office expenses
- Repairs and maintenance expenses
- Other expenses, including computers, bad debts, and educational expenses

Cases: *Willie and Rita Hyche v. Wisconsin Department of Revenue (Wisconsin Tax Appeals Commission, July 31, 2025)* (cont'd)

- **Holding:**

- Trading activities not = activity engaged in for profit
- Not = trade or business, for which expenses were deductible
- For profit factors

1. *Manner in Which the Taxpayers Conducted the Activity:*

- Did not maintain complete and accurate books
- No business plan
- Never reported a profit (in more than 20 years)
- Only trading activity in IRA

Cases: *Willie and Rita Hyche v. Wisconsin Department of Revenue (Wisconsin Tax Appeals Commission, July 31, 2025) (cont'd)*

2. *Expertise of the Taxpayers (or Advisors):*

- Lost money
- No expertise developed
- No expert advice sought

3. *Taxpayers' Time and Effort:*

- Substantial time
- No evidence that time devoted to maintaining business records or learning about trading enterprise

Cases: *Willie and Rita Hyche v. Wisconsin Department of Revenue* (*Wisconsin Tax Appeals Commission, July 31, 2025*) (cont'd)

4. *Expectation That Assets Used in the Activity Will Appreciate in Value:*
 - Computers used
 - Depreciable asset with no expectation that would appreciate in value

5. *Taxpayers' Success in Other Activities:*
 - No evidence of success

Cases: Willie and Rita Hyche v. Wisconsin Department of Revenue (Wisconsin Tax Appeals Commission, July 31, 2025) (cont'd)

6. *Taxpayers' History of Income or Losses:*
 - No profits
7. *Amount of Occasional Profits, If Any:*
 - Only losses
8. *Financial Status of the Taxpayers:*
 - Substantial income from other sources
9. *Elements of Recreation or Personal Motive:*
 - Mr. Hyche identifies as a trader

Cases: Willie and Rita Hyche v. Wisconsin Department of Revenue (Wisconsin Tax Appeals Commission, July 31, 2025) (cont'd)

- **Holding:**
 - Intent may have been to conduct trades and try to produce a profit
 - Based on facts during the audit period, trading activities not engaged in for profit
 - Changed business practices and recordkeeping could support a trade or business engaged in for profit
 - Charitable deduction amounts amended

Cases: *Yusuf Muhummad v. Wisconsin Department of Revenue* (*Wisconsin Tax Appeals Commission, September 30, 2025*)

- **Facts:**

- Tax Year 2023:

- Earned income credit claimed

- **Issues:**

- Did Mr. Muhummad have earned income?

- Did Mr. Muhummad's children/grandchildren qualify?

Cases: *Yusuf Muhammad v. Wisconsin Department of Revenue* (*Wisconsin Tax Appeals Commission, September 30, 2025*) (cont'd)

- **Analysis & Holding:**

- Earned income?

- Self-employment income reported

- Evidentiary hearing
- Wisconsin Department of Revenue did not present evidence in support of the assessment
- Facts failed to establish that the taxpayer had any income:
 - ❑ Year-end account balances (for some bank accounts) v. annual income

Cases: *Yusuf Muhammad v. Wisconsin Department of Revenue* (*Wisconsin Tax Appeals Commission, September 30, 2025*) (cont'd)

- **Holding:**
 - Qualifying child?
 - Review not necessary
 - Taxpayer failed to establish – when considering oral testimony and documents offered – that any of his grandchildren lived with him for more than half the year in 2023

Cases: Willard and Tammy Harvill v. Wisconsin Department of Revenue (Wisconsin Tax Appeals Commission, January 24, 2025)

- **Facts:**
 - Mr. Harvill was a veteran who served in the military from 1964 – 1995
 - Mr. Harvill became ill during the first Gulf War, between 1989 – 1992, and has become increasingly incapacitated
 - Mr. Harvill applied to the Department of Veteran's Affairs (VA) for a finding regarding service-related disability
 - September 11, 2023: The VA made a final determination – finding Mr. Harvill 100% disabled as of November 20, 2015

Cases: *Willard and Tammy Harvill v. Wisconsin Department of Revenue* *(Wisconsin Tax Appeals Commission, January 24, 2025) (cont'd)*

- **Facts:**

- November 2023: Mr. Harvill received notice of the VA determination
- November 22, 2023: The Department received Schedules AR (“Explanation of Amended Return”)
 - Sought refunds based on Wis. Stat. § 71.07(6e) – veterans and surviving spouses property tax credit
- The Department requested amended Wisconsin tax returns – received December 2023 (treated as refund claims)
- The Department denied Taxpayers claims for refund for 2017 and 2018
- Appealed to the Wisconsin Tax Appeals Commission

Cases: *Willard and Tammy Harvill v. Wisconsin Department of Revenue* (*Wisconsin Tax Appeals Commission, January 24, 2025*)(cont'd)

- **Issue:**

- Were the refund claims timely filed?

- **Statute:**

71.75 Claims for refund.

(1) Except as provided in ss. 49.855, 71.77 (5) and (7) (b) and 71.935, the provisions for refunds and credits provided in this section shall be the only method for the filing and review of claims for refund of income and surtaxes, and no person may bring any action or proceeding for the recovery of such taxes other than as provided in this section.

(2) With respect to income taxes and franchise taxes, except as otherwise provided in subs. (5) and (9) and ss. 71.30 (4) and 71.77 (5) and (7) (b), refunds may be made if the claim therefor is filed within 4 years of the unextended date under this section on which the tax return was due.

Cases: *Willard and Tammy Harvill v. Wisconsin Department of Revenue* *(Wisconsin Tax Appeals Commission, January 24, 2025) (cont'd)*

- **Analysis:**

- Tax Years 2017, 2018, 2019:

- 2017:

- Due date (unextended) for filing income tax return: April 17, 2018
- Due date for filing refund claim: **April 17, 2022**

- 2018:

- Due date (unextended) for filing income tax return: April 15, 2019
- Due date for filing refund claim: **April 15, 2023**

Cases: *Willard and Tammy Harvill v. Wisconsin Department of Revenue (Wisconsin Tax Appeals Commission, January 24, 2025)* (cont'd)

- **Holding:**
 - Limited exceptions not applicable
 - Tax Year 2017 refund claim – filed December 2023 – was untimely
 - Tax Year 2018 refund claim – filed December 2023 – was untimely
 - No subject matter jurisdiction
 - Tax Year 2019 refund claim – not at issue

Cases: *James S. and Rita Kirchoff v. Wisconsin Department of Revenue (Wisconsin Tax Appeals Commission, October 24, 2024)*

- **Facts:**

- Tax Years 2021 and 2022 – Veterans Property Tax Credit claimed
- Notices of Refund issued on July 12, 2023 – reducing the Veterans Property Tax Credit – for both years
- Petitions for Redetermination – filed August 24, 2023
- Notice of Action – dated February 22, 2024 & delivered February 26, 2024
 - 60 day deadline to appeal = no later than **April 26, 2024**
 - Appeal (sent by regular mail) dated April 25, 2024; postmarked April 27, 2024; and *received* by the Wisconsin Tax Appeal Commission on **April 30, 2024**

Cases: *James S. and Rita Kirchoff v. Wisconsin Department of Revenue* *(Wisconsin Tax Appeals Commission, October 24, 2024) (cont'd)*

- **Analysis & Holding:**
 - Mr. Kirchoff submitted statements (not notarized) indicating he had called the Wisconsin Tax Appeals Commission on April 22, 2024
 - Telephone call not allowable method to file appeal
 - Appeal received 4 days late
 - No jurisdiction - for Wisconsin Tax Appeals Commission to hear the taxpayers' appeal

Cases: *James & Talia Luecke v. Wisconsin Department of Revenue* (Wisconsin Tax Appeals Commission, March 26, 2025)

- **Facts:**

- Notices of Amount Due – dated December 29, 2023 (one for Tax Year 2019 and another for Tax Years 2021, 2022)
- Petitions for Redetermination – filed January 8, 2024
- Notice of Action – dated June 20, 2024 (combined all three tax years)
 - 60 day deadline to appeal = no later than **August 26, 2024**
 - Appeal (sent by regular mail) postmarked September 16, 2024 and *received* by the Wisconsin Tax Appeal Commission = *filed* on **October 1, 2025**

Cases: *James & Talia Luecke v. Wisconsin Department of Revenue* *(Wisconsin Tax Appeals Commission, March 26, 2025) (cont'd)*

- **Analysis & Holding:**

- Taxpayers asserted they were extremely busy working during the months of May through October doing seasonal work with local resort motel businesses and were behind in reading their mail and correspondence
- Confused about process – initial Petitions for Redetermination filed with the Department and Petition for Review filed with the Wisconsin Tax Appeals Commission
- Appeal received 36 days late
- No jurisdiction - for Wisconsin Tax Appeals Commission to hear the taxpayers' appeal

Cases: *Andrea and Jeffrey J. Arndt v. Wisconsin Department of Revenue (Wisconsin Tax Appeals Commission, August 11, 2025)*

- **Facts:**

- Notice of Action – dated March 13, 2025
 - Received no later than March 30, 2025
 - 60-day deadline to appeal (from March 30) = no later than **May 29, 2025**
- Appeal dated June 13, 2025 and *received* by the Wisconsin Tax Appeals Commission = *filed* on **June 16, 2025**
- Wisconsin Tax Appeals Commission – no jurisdiction to hear appeal

Cases: *Thanhlan Nguyen v. Wisconsin Department of Revenue* (*Wisconsin Tax Appeals Commission, June 19, 2025*)

- **Facts:**

- Notice of Amount Due – issued July 18, 2024 -> for Tax Year 2022
- Petition for Redetermination – filed August 7, 2024
- Notice of Action – issued December 5, 2024
 - Received December 9, 2024
 - 60-day deadline to appeal = no later than **February 10, 2025**

Cases: Thanhlan Nguyen v. Wisconsin Department of Revenue (Wisconsin Tax Appeals Commission, June 19, 2025) (cont'd)

- January 23, 2025: Department received additional information
- January 31, 2025: Department issued letter to Taxpayer, indicating that an appeal must be filed to the Commission within 60 days of receipt of the Notice of Action
- Taxpayer left the country in early February 2025
- Upon return, an appeal was hand-delivered to the Commission on **February 26, 2025**
- Wisconsin Tax Appeals Commission – no jurisdiction to hear appeal

Cases: *Kathleen Doyle v. Wisconsin Department of Revenue* (*Wisconsin Tax Appeals Commission, March 13, 2025*)

- **Facts:**

- Notices of Changes – Homestead Credit & Notice of Refund - Homestead: Dated in June 2023 → for Tax Years 2019 – 2022
 - Reduced refunds claimed for homestead credit
 - Notices sent on July 3, 2023 and received (i) at the earliest, on July 11 or (ii) at the latest, on July 18
 - Latest date to timely file petitions for redetermination = **September 18, 2023**
- Contact 6: Taxpayer filed a complaint on July 18 → received by the Department on July 26
- Petitions for Redetermination: Filed **October 20, 2023**

Cases: *Kathleen Doyle v. Wisconsin Department of Revenue* (*Wisconsin Tax Appeals Commission, March 13, 2025*) (cont'd)

- **Analysis:**
 - *Ineligible claims:* Includes by claimant who resides in housing exempt from property tax under ch. 70 (Wis. Stat. § 71.53(2)(e))
- **Holding:**
 - *Majority:* Taxpayer failed to file timely petitions for redetermination & Wisconsin Tax Appeals Commission lacked jurisdiction to hear appeal

Cases: *Kathleen Doyle v. Wisconsin Department of Revenue* (*Wisconsin Tax Appeals Commission, March 13, 2025*) (cont'd)

- **Holding:**

- *Dissent:*

- Hearing required upon receipt of answer from the Department – for taxpayer to appear, be sworn in, and offer their version of events & to provide the opportunity for both parties to question each other and the Commission to question both parties
- Questions unanswered and genuine issues as to material facts
 - Can a taxpayer have someone else submit a petition for redetermination on their behalf?

Cases: *Kathleen Doyle v. Wisconsin Department of Revenue* (*Wisconsin Tax Appeals Commission, March 13, 2025*) (cont'd)

- What did Ms. Doyle intend or request Contact 6 do with her complaint?
- How was the complaint forwarded to the Department?
- To whom at the Department was the complaint directed?
- What is the Department's standard procedure upon receipt of a document which it believes is not properly filed?
- June 2023 Notices reissued several times – why? Was that intended (and did it) restart the appeal clock?

Cases: *Kathleen Doyle v. Wisconsin Department of Revenue* (*Wisconsin Tax Appeals Commission, March 13, 2025*) (cont'd)

- Was the property tax exempt OR were property taxes imposed?
 - ❑ The Department enjoys the presumption of correctness
 - ❑ But it must first establish a basis for its decision
- Commission is responsible for fully developing the record and issuing a decision based upon facts and not assertions

Cases: *George Watts v. Wisconsin Department of Revenue* (*Wisconsin Tax Appeals Commission, March 4, 2025*)

- **Facts:**
 - Notice of Action – for Tax Year 2020
 - No income tax return filed
 - Petition for Review filed with the Wisconsin Tax Appeals Commission
 - Discovery – deadlines set, requests not complied with
 - Status conference – the Commission ordered the Taxpayer to provide substantive responses to the Department’s discovery & the Department to file an affidavit with the Commission if the Taxpayer failed to comply -> and the appeal would be dismissed

Cases: *George Watts v. Wisconsin Department of Revenue* (*Wisconsin Tax Appeals Commission, March 4, 2025*) (cont'd)

- **Facts:**

- The Department filed a motion to dismiss (rather than an affidavit of noncompliance), resulting in a briefing schedule
- Taxpayer appeared pro se

- **Analysis:**

- Argument – that the State of Wisconsin lacks authority to assess and collect income tax from residents of the state = without merit (groundless and frivolous)

Cases: *George Watts v. Wisconsin Department of Revenue* (*Wisconsin Tax Appeals Commission, March 4, 2025*) (cont'd)

- **Analysis:**

- Further groundless and frivolous claims from the Taxpayer – could result in imposition of \$1,000 in damages

- **Holding:**

- *Majority:* Taxpayer failed to comply with discovery requests & advanced meritless legal theories, resulting in granting the Department's motion to dismiss and affirming its action on the Taxpayer's petition for redetermination

Cases: *George Watts v. Wisconsin Department of Revenue* (*Wisconsin Tax Appeals Commission, March 4, 2025*) (cont'd)

- **Holding:**

- *Concurrence:* Taxpayer failed to file a tax return for 2020 and failed to overcome the presumption of correctness
 - Resulting in the Department's action on the Taxpayer's petition for redetermination being affirmed

Income/Franchise Tax:

Guidance

Guidance: *Retirement Account Distributions – Qualified Charitable Distribution*

- Wisconsin Department of Revenue – limited project
 - Bill from the Department – for tax, interest, and penalties
 - File appeal
 - Provide evidence that the distribution was made by the trustee of the IRA directly to an eligible organization
 - E.g., IRA account statements, electronic funds transfer, copies of checks
 - Written acknowledgement of the contribution from the qualified organization, including the contribution date(s) and amount(s)

Property Taxes, Premier Resort Areas, TIF Districts, and Real Estate Transfer Fees:

Recent Laws and Cases

Property Taxes, Premier Resort Areas, TIF Districts, and Real Estate Transfer Fees:

Recent Laws

Recent Laws: *Premier Resort Areas (2025 Wis. Act 15)*

- Political subdivision with a population of not less than 4,000 and not more than 11,000
 - Ordinance / resolution declaring itself to be a premier resort area
 - Even if less than 40% of the equalized assessed value of the taxable property within the political subdivision is used by tourism-related retailers
 - Action approved by a majority of the electors in the political subdivision voting on the resolution at a referendum held prior to June 1, 2025

Recent Laws: *TIF Districts (2025 Wis. Act 16)*

- If all project costs of a data center district are related to a data center located within a TIF district
 - The 12% limit does not apply
- Applies only to:
 - TIF District #5 – in the City of Port Washington, if the district is created before January 1, 2028
 - TIF District #10 – in the City of Beaver Dam

Recent Laws: Real Estate Transfer Fee Expanded Exemption – Familial Transfers (2025 Wis. Act 38)

- Exemption for transfers of real property between family members for nominal or no consideration - Wis. Stat. § 77.25(8)
- Applied to conveyances between:
 - Parent and child
 - Stepparent and stepchild
 - Parent and son-in-law
 - Parent and daughter-in-law
- Exemption expanded to apply to transfers between **grandparents and grandchildren**
- Effective November 2, 2025

Reminder: Telephone Company Tax on Tangible Personal Property – Eliminated (2023 Wis. Act 140)

- Effective March 23, 2024
- Eliminates tax on tangible personal property of telephone company:
 - Beginning with the assessments as of January 1, 2027

Property Taxes :

Cases

Cases: *Children’s Hospital of Wisconsin, Inc. v. City of Wauwatosa* (2025 WI App 43, June 10, 2025)

- **Facts/Issue:**

- Children’s Hospital of Wisconsin, Inc. (“Children’s Hospital”) constructed new property, known as the North Tower or the Craig Yabuki Tower
- Began construction in 2019
- First property tax year = 2020
 - Approximately 14% complete as of January 1
 - Upon completion, would be used exclusively to provide outpatient services, such as hospital-based specialty clinics and surgical services
- Does property under construction qualify for property tax exemption?
 - Hospital exemption – Wis. Stat. § 70.11(4m)

Cases: *Children's Hospital of Wisconsin, Inc. v. City of Wauwatosa* (2025 WI App 43, June 10, 2025) (cont'd)

- **Analysis – Majority:**

- Property must be used exclusively for the purposes of a hospital (Wis. Stat. § 70.11(4m))
- Strict but reasonable construction
- Readying rule
 - Prior case law
 - Only applies to fully constructed buildings in the final stages of being readied to be used for an exempt purpose
 - Wisconsin Property Assessment Manual does not apply – because in conflict with the law

Cases: *Children's Hospital of Wisconsin, Inc. v. City of Wauwatosa* (2025 WI App 43, June 10, 2025) (cont'd)

- **Analysis – Dissent:**

- **Readying**

- Preparation and construction = indispensable to its use and therefore should qualify for exemption during this prerequisite stage
- Qualification for exemption should be based on whether it will qualify for exemption once the building is complete and operational
- Majority's interpretation is overly narrow – “a strict construction is nonetheless construction, and an exemption statute need not be given an unreasonable construction or the narrowest possible construction.”
Columbia Hospital Association v. City of Milwaukee, 35 Wis. 2d 660, 668 (1967)

Cases: *Children's Hospital of Wisconsin, Inc. v. City of Wauwatosa* (2025 WI App 43, June 10, 2025) (cont'd)

- **Analysis – Dissent:**

- Other states

- Many allow exemption (Utah, Ohio, Minnesota, Arkansas, Texas, Pennsylvania, Missouri, Virginia)
 - Construction of a property can itself be an exempt use because it is necessary preparation
 - For the public good
- Some states bar exemption during construction (New Jersey, Florida, North Carolina)

- **Petition for Review filed – with the Wisconsin Supreme Court**

Cases: Middleton Westbrook Property Owner LLC and Enerpac Tool Group Corp. v. Village of Menomonee Falls (Ct. App. August 6, 2025) (per curiam)

- **Facts/Issue:**
 - Middleton owns property in the Village of Menomonee Falls
 - Leased to a commercial tenant
 - On March 10, 2023, the Village sent Middleton asking for income and expense data
 - Letter cautioned that the owner may lose the right to appeal to the Board of Review if income/expense information was not provided
 - Village notice dated June 14, 2023
 - Board of Review was scheduled for July 27, 2023

Cases: *Middleton Westbrook Property Owner LLC and Enerpac Tool Group Corp. v. Village of Menomonee Falls* (Ct. App. August 6, 2025) (per curiam) (cont'd)

- Middleton filed objection and provided appraisal – on July 24, 2023
 - Appraisal used, in part, an income approach
- Board of Review advised Middleton that “your objection will not be scheduled for a hearing”
 - Based on Wis. Stat. § 70.47(7)(af)
 - If either the assessor or taxpayer uses the income approach to value the property
 - Income/expense information must be supplied to the assessor
 - At least 7 days before the first meeting of the Board of Review
- Was Middleton entitled to receive a hearing before the Village Board of Review?

Cases: *Middleton Westbrook Property Owner LLC and Enerpac Tool Group Corp. v. Village of Menomonee Falls* (Ct. App. August 6, 2025) (per curiam) (cont'd)

- **Analysis:**

- Appealed to Circuit Court -> ordered the Board of Review to reconvene and consider Middleton's 2023 objection
- Court of Appeals -> reversed
 - Middleton argued assessor should have used the sales approach
 - Middleton's appraisal used, among the approaches to value, the income approach

Cases: Town Homes of Shell Lake Condominium Association, Inc. v. County of Washburn and Washburn County (Ct. App. April 22, 2025) (per curiam)

- **Facts/Issue:**
 - County real property lister designated six unbuilt units as separate tax parcels – in 2018
 - City of Shell Lake assessor issued omitted property assessments for the two prior years, plus the current year
 - Town Homes of Shell Lake Condominium Association listed as the taxpayer
 - Condominium Association did not pay taxes, filing a declaratory judgment action in 2022
 - Argued that under the amended condominium declaration, the unbuilt units were converted into common elements

Cases: Town Homes of Shell Lake Condominium Association, Inc. v. County of Washburn and Washburn County (Ct. App. April 22, 2025) (per curiam) (cont'd)

- **Analysis:**
 - Condominium Association was challenging “unlawful” property tax assessments, based on a clerical error
 - In the description of the property
 - Wis. Stat. § 74.35 required taxes be paid
 - Condominium Association sought relief against the incorrect party
 - City of Shell Lake = taxation district

Cases: *Mayfair Mall LLC v. City of Wauwatosa* (Ct. App. February 11, 2025) (*per curiam*)

- **Facts/Issue:**
 - Mayfair Mall challenged assessments for Tax Years 2013, 2014, and 2015
 - Circuit Court concluded the assessments were not excessive
 - Court of Appeals concluded that the findings of the circuit court were insufficiently detailed to determine if Mayfair had overcome the presumption of correctness – remanded
 - On remand, the circuit court appointed an expert
 - The circuit court concluded the assessments were not excessive

Cases: *Mayfair Mall LLC v. City of Wauwatosa* (Ct. App. February 11, 2025) (*per curiam*) (cont'd)

- **Analysis & Holding:**

- Development costs for Nordstrom did not need to be deducted when the Mall's net operating income was calculated
- The Mall's actual rents were market rents
- Actual property taxes and management fees were properly taken into account
- Capitalization rate used (a blended rate) was reasonable and not clearly erroneous
- Failing to object to the court appointed expert resulted in forfeit of this argument
- Failing to object to admission of the City's experts during trial resulted in forfeit of this argument

Cases: *Franklin Square Condominiums, LLC et al. v. City of Fitchburg* (Dane Co. Circuit Ct. July 28, 2025)

- **Facts/Issue:**
 - Franklin Square Condominiums filed excessive assessment appeal in circuit court for tax year 2022 – on July 24, 2023
 - First Amended and Supplemental Complaint filed adding tax year 2023 – on October 24, 2023
 - Second Amended and Supplemental Complaint filed adding tax year 2024 – October 4, 2024
 - Was the Second Amended and Supplemental Complaint properly *served* on the City of Fitchburg?
 - Was permission required from the court to file the Second Amended and Supplemental Complaint?

Cases: *Franklin Square Condominiums, LLC et al. v. City of Fitchburg* (Dane Co. Circuit Ct. July 28, 2025) (cont'd)

- **Analysis:**
 - Original summons and complaint were timely served on the City of Fitchburg
 - Fitchburg's attorney is a mandatory user of the court's electronic filing system as a licensed Wisconsin attorney
 - Documents filed through the electronic filing system are deemed served when the system transmits a notice of activity to the user
 - Method of service acceptable

Cases: *Franklin Square Condominiums, LLC et al. v. City of Fitchburg* (Dane Co. Circuit Ct. July 28, 2025) (cont'd)

- Fitchburg gave its written consent for the filing of the second amended complaint
 - Taxpayer reasonably relied on Fitchburg's consent
 - No stipulation required
 - Court accepted the second amended complaint – using its discretion
 - Court did not require the filing of a formal motion
- Court did not grant the taxpayer's motion to dismiss
 - Based on Fitchburg failure to file an answer
 - Provided additional time for the filing of the answer

Cases: *Marshall Building LLC v. City of Milwaukee and Board of Review of the City of Milwaukee* (Milwaukee Co. Circuit Ct. August 29, 2025)

- **Facts/Issue**

- Property owned in the City of Milwaukee
 - Tax year 2024 objection filed – on May 20, 2024
 - No Board of Review hearing
 - Claim for excessive assessment served on the Milwaukee City Clerk – on January 29, 2025
 - Circuit court action commenced – on May 30, 2025
 - Board of Review issued subpoena – on July 10, 2025
- Does the circuit court have jurisdiction to stay a Board of Review hearing?

Cases: *Marshall Building LLC v. City of Milwaukee and Board of Review of the City of Milwaukee* (Milwaukee Co. Circuit Ct. August 29, 2025) (cont'd)

- **Analysis**

- No request for waiver of Board of Review hearing
- No statutory deadlines for the Board of Review to complete their hearing process
- No hearing yet
- Taxpayer did not exhaust its administrative remedies
- Once the Board of Review process is complete, any adverse decision may be appealed to circuit court
- Appeal dismissed without prejudice

Cases: *Badger Mining Corporation v. Wisconsin Department of Revenue* (Wisconsin Tax Appeals Commission, March 11, 2025)

- **Facts/Issue:**

- Manufacturing assessments
- Wis. Stat. § 70.995(8)(c)1 – requires objections be made in writing, on a form prescribed by the Wisconsin Department of Revenue, and contain certain information – including “the basis under s. 70.32(1) for the objector’s estimate of the correct assessment”
- Objection forms included, under the same section, (i) a box for the reason(s) for objection and (ii) a box for basis for the opinion of value

Section 5: Reason for Objection and Basis of Estimate	
Reason(s) for objection: <i>(Attach additional sheets if needed)</i> NWS Mines suffer severe economic obsolescence from competition from in-basin mines as well as government regulation of the oil and gas industry	Basis for your opinion of value: <i>(Attach additional sheets if needed)</i>

Cases: *Badger Mining Corporation v. Wisconsin Department of Revenue* (*Wisconsin Tax Appeals Commission, March 11, 2025*) (cont'd)

- **Arguments:**

- *Wisconsin Department of Revenue:*

- Each section of the form must be completely and correctly filled out – or the form is fatally flawed and the Commission must dismiss the appeal
- Therefore, not filling out the basis for the opinion of value, in the box for such basis, was a fatal flaw

- *Taxpayers:*

- “so long as the statutory requirements are met somewhere on the form, there is no requirement for redundantly cutting and pasting the same information in multiple locations on the form”

Cases: *Badger Mining Corporation v. Wisconsin Department of Revenue* (*Wisconsin Tax Appeals Commission, March 11, 2025*) (cont'd)

- **Wisconsin Tax Appeals Commission:**
 - It has found objection forms to be fatally flawed, such as where:
 - The filed form is signed by someone who is neither the taxpayer nor the authorized agent; or
 - The taxpayer fails to include on the form their opinion of value for the property
 - Providing the information on the form, but not necessarily in a specific box (rather in a box two inches to the left), was not a fatal flaw

Excise Taxes:

Recent Laws

Recent Laws: *Electronic Vaping Device Directory (2025 Wis. Act 15)*

- Electronic vaping device may not be sold or offered for sale in Wisconsin if not listed in the directory
- Electronic vaping device that contains hemp and not nicotine (hemp device):
 - The manufacturer of the hemp device must certify to the Department no later than July 1, 2026, and annually thereafter
 - The manufacturer of the hemp device must submit a certificate of analysis from an independent laboratory showing that the electronic vaping device contains hemp and does not contain nicotine
- Before September 1, 2026, the Department may not impose the \$1,000 forfeiture (per day for each device) on manufacturers and retailers that sell or offer for sale a hemp device not listed on the directory

Miscellaneous:

Proposed Laws

Proposed Laws: *Specialized Docket– Commercial Cases and Treatment Court (2025 Assembly Bill 73)*

- Mandatory for certain cases, including:
 - Governance or internal affairs of business organizations
 - Tortious or statutorily prohibited business activity, unfair competition, or antitrust claims
 - Sale, consolidation, or merger of a business organization or the conversion, share exchange, or sale of substantially all of the assets of a business organization
 - Real estate construction disputes where the amount in controversy exceeds \$250,000

Proposed Laws: *Specialized Docket– Commercial Cases and Treatment Court (2025 Assembly Bill 73) (cont'd)*

- Ineligible for other cases, including:
 - Small claims cases
 - Landlord tenant disputes

Questions?

THANK YOU!

This presentation provides information of a general nature. None of the information contained herein is intended as legal advice or opinion relative to specific matters, facts, situations or issues. Additional facts and information or future developments may affect the subjects addressed in this presentation. You should consult with a lawyer about your particular circumstances before acting on any of this information because it may not be applicable to you or your situation.



Wisconsin Department of Revenue

WI Dept of Revenue | Division of Income, Sales, and Excise Tax

Wisconsin Tax Update – Fall 2025

R. 11/03/2025



Mission

Strengthen Wisconsin through fair tax and lottery administration, while educating and serving the public, our customers and communities.

Vision

To be the premier agency in providing innovative, accessible resources, and exceptional customer service built on a foundation of trust, inclusivity and creativity.

Values

- Integrity
- Innovation
- Inclusivity
- Knowledge
- Empathy
- Security

Topics

- ▷ Income and Franchise Tax
- ▷ Sales and Use Tax
- ▷ Excise Taxes & Electronic Vaping Device Directory
- ▷ Form and Processing Updates
- ▷ Filing Tips
- ▷ My Tax Account Updates and Reminders
- ▷ Department News, Reminders, and Statistics

Income and Franchise Tax Updates

Tax Rate Reduction

2025 Wis. Act 15

- ▶ Effective for tax years beginning after December 31, 2024
- ▶ Affects individual taxpayers and fiduciaries
- ▶ Increases the income threshold at which the second tax bracket (4.4%) ends:
 - Single, head of household, and fiduciaries: \$50,480 (increased from \$29,370)
 - Married individuals filing jointly: \$67,300 (increased from \$39,150)
 - Married individuals filing separately: \$33,650 (increased from \$19,580)



Tax Rate Reduction

2025 Wis. Act 15

- ▶ Codifies the first, third, and fourth tax bracket thresholds for 2025 and changes the base year for future inflation adjustments.
- ▶ Going forward, August 2024 will be the base year against which future years will be compared for inflation computations.



2025 Income Tax Rates

Single, HoH, Fiduciaries		
Taxable Income		Rate
\$0	\$14,679	3.50%
\$14,680	\$50,479	4.40%
\$50,480	\$323,289	5.30%
\$323,290		7.65%

Married Filing Jointly		
Taxable Income		Rate
\$0	\$19,579	3.50%
\$19,580	\$67,299	4.40%
\$67,300	\$431,059	5.30%
\$431,060		7.65%

Married Filing Separately		
Taxable Income		Rate
\$0	\$9,789	3.50%
\$9,790	\$33,649	4.40%
\$33,650	\$215,529	5.30%
\$215,530		7.65%



New Retirement Income Subtraction

2025 Wis. Act 15

- ▶ Effective for tax years beginning after December 31, 2024
- ▶ Individuals who are at least 67 years old as of the end of the taxable year may subtract up to \$24,000 of eligible retirement income.
- ▶ Eligible retirement income includes payments from qualified retirement plans and IRAs that are not excluded from Wisconsin income under a separate provision of federal or Wisconsin law.
- ▶ If a married couple files a joint return and both spouses are at least 67 years old as of the end of the taxable year, the couple may subtract up to \$48,000 of eligible retirement income.



New Retirement Income Subtraction

2025 Wis. Act 15

- ▶ Part-year residents of Wisconsin must prorate the \$24,000 and \$48,000 limits by the ratio of Wisconsin adjusted gross income to federal adjusted gross income.
- ▶ Nonresidents are not eligible to claim this subtraction.
- ▶ Taxpayers who claim the subtraction **may not claim any Wisconsin tax credit** listed under sec. 71.10(4), Wis. Stats., for that taxable year. The list includes ALL income tax credits available to individuals. The credits may not be claimed and therefore cannot be carried forward.



Increased Subtraction for Adoption Expenses

2025 Wis. Act 15

- ▶ Effective for tax years beginning after December 31, 2024
- ▶ Increases the maximum subtraction an individual may claim for qualified adoption expenses from \$5,000 to \$15,000 for each child.



New Film Production Credits

2025 Wis. Act 15

- ▶ Creates two types of credits:
 - Film production services credits (3 in total)
 - Film production company investment credit
- ▶ Creates a State Film Office in the Department of Tourism to accredit productions and certify expenses for claiming tax credits.
- ▶ No interest is paid on tax refunds for credits claimed.
- ▶ For additional information on definitions, limitations, administration, and State Film Office requirements, see new tax law article, *Film Production Company Investment Credit*, in *Wisconsin Tax Bulletin* 230 (July 2025), page 6.



New Film Production Services Credit

- ▶ Effective for tax years beginning after **December 31, 2025**
- ▶ Eligible for all income/franchise tax types
- ▶ Creates one *refundable* credit and two *nonrefundable* credits for film production companies who produce a film, video, broadcast, advertisement, or television production in Wisconsin.
- ▶ *Refundable Credit:*
 - 30 percent of the production expenditures paid by the claimant in the taxable year to produce an accredited production.



New Film Production Services Credit

- ▶ *Nonrefundable Credits (15-year carryforward):*
 - Credits are equal to any of the following amounts:
 - 30 percent of the salary or wages paid by the claimant to the claimant's employees for services rendered to produce an accredited production in Wisconsin. Employees must also be Wisconsin residents at the time of payment. Salaries and wages may not be used to claim multiple credits.
 - An amount equal to the sales and use taxes imposed under secs. 77.52 and 77.53, Wis. Stats., paid in the taxable year on the purchase of tangible personal property and taxable services that are used directly in producing an accredited production in Wisconsin.
 - Credits may be sold or otherwise transferred in whole or in part to another person.



New Film Production Company Investment Credit

- ▶ Effective for tax years beginning after **December 31, 2025**
- ▶ Eligible for all income/franchise tax types
- ▶ *Nonrefundable Credit* (15-year carryforward):
 - Available for the first three taxable years that the claimant is doing business in Wisconsin as a film production company.
 - Equal to 30 percent of the following that the claimant paid in the taxable year to establish a film production company in Wisconsin:
 - The purchase price of depreciable, tangible personal property.
 - The amount expended to acquire, construct, rehabilitate, remodel, or repair real property.
 - Credits may be sold or otherwise transferred in whole or in part to another person.



Internal Revenue Code

Tax Year 2025 Overview

- ▶ Wisconsin follows the IRC as of December 31, 2022, with certain exceptions
- ▶ Wisconsin computes depreciation and amortization using IRC in effect on January 1, 2014, with certain exceptions
- ▶ Wisconsin has not adopted federal bonus depreciation provisions
- ▶ Wisconsin has not adopted provisions in the federal One Big Beautiful Bill (OBBB) - see future slides for discussion of some items from the OBBB.



Internal Revenue Code

- ▶ **Exceptions:** Wisconsin automatically follows the following federal changes:
 - IRC 223(c) relating to health savings accounts
 - IRC 1202 relating to the exclusion for gain from certain small business stock
 - IRC 529 and 221(e)(1) relating to education savings accounts
 - Depletion – WI follows federal law in effect for federal purposes for the year in which the property is placed in service
 - IRC 179, 179A, 179B, 179C, 179D, and 179E relating to the expensing of depreciable business assets – WI follows federal law in effect for federal purposes for the year in which the property is placed in service



Internal Revenue Code

- ▶ **Exceptions:** Wisconsin automatically follows the following federal changes:
 - *Taxable year* – taxpayers must compute taxable income for the same taxable year as computed for federal income tax purposes
 - *Qualified retirement plans* – a qualified retirement fund for federal income tax purposes is a qualified retirement fund for Wisconsin tax purposes
 - *Federal tax return due dates and any federal extensions for filing.* Note: Interest accrues on underpayments during extension periods.
 - *Additional child and dependent care tax credit* – WI allows 100% of the credit that the claimant may claim on their federal income tax return (recomputed using higher expense limitations for Wisconsin).



Federal OBBB – Auto-adopted items

- ▶ Federal OBBB changes automatically adopted under WI law
 - IRC 1202 – the OBBB reduces the % of gain that may be excluded for certain small business stock
 - IRC 179 – the OBBB increased the expense limit to \$2.5 million (up from \$1 million) and the phaseout threshold to \$4 million (up from \$2.5 million), and adopts future annual adjustments for inflation
 - IRC 179D – the OBBB terminated expensing provisions for certain construction of energy efficient commercial buildings after June 30, 2026
 - IRC 21 – the OBBB increases the credit rate for the federal child and dependent care credit, and adjusts the income phaseout threshold
 - IRC 223(c) – the OBBB makes the telehealth safe harbor permanent, which means a health plan will not be disqualified as a HDHP because it offers remote care services



Federal OBBB – Auto-adopted items

- ▶ Federal OBBB changes automatically adopted under WI law
 - IRC 529 – the OBBB:
 - increases the amount that can be distributed from a 529 plan for elementary and secondary school expenses, and additional expenses such as vocational training and homeschooling expenses are now eligible expenses
 - makes permanent the ability to roll over amounts from 529 to 529A (ABLE) account.
 - IRC 898(c)(2) – a specified foreign corporation may no longer elect a taxable year that is earlier than its majority U.S. shareholder's taxable year, for taxable years beginning after November 30, 2025



Federal OBBB – No tax on tips

- ▶ WI has not adopted this new federal deduction
 - Federal deduction
 - New income deduction for 2025-2028
 - Up to \$25,000 of qualified tips reported on W-2s/1099s/Form 4137 from eligible occupations
 - Deduction phases out for modified adjusted gross income over \$150,000 (\$300,000 MFJ)
 - Employers must withhold income taxes (deduction is on the individual income tax return – Schedule 1A)
 - Income still subject to Social Security and Medicare taxes
 - WI Senate Bill 36 considers a similar WI deduction



Federal OBDD – No tax on overtime

- ▶ Wisconsin has not adopted this new federal deduction
 - Federal deduction
 - New income deduction for 2025-2028
 - Up to \$12,500 of qualified overtime pay
 - Deduction only applies to "half" portion of time-and-a-half overtime pay
 - Deduction phases out for modified adjusted gross income over \$150,000 (\$300,000 MFJ)
 - Employers must separately report qualified overtime pay on W-2
 - Employers must withhold income taxes (deduction is on the individual income tax return – Schedule 1A)
 - Income still subject to Social Security and Medicare taxes
 - WI Senator Hutton considering similar WI deduction – 2025 LRB 4460



Federal OBDD – No tax on car loan interest

▶ Wisconsin has not adopted this new federal deduction

○ Federal deduction

- New income deduction for 2025-2028
- Up to \$10,000 of qualifying interest *
- Deduction phases out for modified adjusted gross income over \$100,000 (\$200,000 MFJ)
- Deduction is claimed on the individual income tax return – Schedule 1A
- Must include VIN on Schedule 1A

*Qualifying interest

- Loan must be taken out after 12/31/24 for a new vehicle
- Vehicle must be for personal use (not business)
- Vehicle's final assembly must be in the U.S.
- Leases are not eligible



Federal OBBB – Deduction for seniors

- ▶ Wisconsin has not adopted this new federal deduction
 - Federal deduction
 - Additional income deduction for 2025-2028 (in addition to increased standard deduction)
 - Up to \$6,000 (\$12,000 MFJ)
 - Must be 65 or older by the end of the tax year
 - Must have a social security number
 - Deduction phases out for modified adjusted gross income over \$75,000 (\$150,000 MFJ)
 - Deduction is claimed on the individual income tax return – Schedule 1A



Federal OBBB – Other items for 2025

- ▶ Wisconsin has not adopted other OBBB changes for the 2025 tax year, such as:
 - IRC 139L – relating to an exclusion of interest on loans secured by rural or agricultural real property
 - IRC 163(j) – relating to the limitation on net business interest expense
 - IRC 168(n) – relating to a special deduction for qualified production property
 - IRC 17A, 174, 41, 280C – relating to research and development expenditures
 - IRC 250(b) – relating to the foreign-derived deduction eligible income and net CFC tested income
 - IRC 460(e) – relating to an exception to the percentage completion method of accounting for long-term residential construction contracts
 - IRC 1400Z-1 and -2 – changes to the rules for capital gains invested in Opportunity Zones



Education Savings Account Subtraction

- ▶ For tax year 2025, a person may subtract up to \$5,130 per beneficiary (\$2,560 if married filing separately) of contributions into a Wisconsin 529 account (e.g., Edvest)
- ▶ This is an increase from \$5,000 in tax year 2024.



Wisconsin Tuition and Fees Subtraction

- ▶ Subtraction increased to \$7,649 for qualifying expenses per student for taxable year 2025 (up from \$7,333 in 2024)
- ▶ Subtraction phase out ranges:
 - ▶ Single/head of household - \$69,480 to \$83,370
 - ▶ Married filing joint - \$111,160 to \$138,960
 - ▶ Married filing separate - \$55,580 to \$69,480



Standard Mileage Rates

▶ 2025

- 70 cents per mile for business miles, up from 67 cents for 2024
- 21 cents per mile for medical or moving purposes
- 14 cents per mile in service of charitable organizations

▶ 2026 - Not announced yet



Income and Franchise Tax Litigation

Litigation: Gambling losses as a business expense limited to gambling winnings

Daniel and Debra Scheider v. Wisconsin Department of Revenue: Brown County Circuit Court, October 31, 2024

- ▶ Issue: Whether or not business expenses related to gambling activities are allowed to be deducted in excess of the gambling winnings associated with those gambling activities.
- ▶ Taxpayers created a partnership, Slot Jokers, for the sole purpose of professional gambling and that was the only activity engaged in by the partnership.
- ▶ The Commission concluded that sec. 165(d), IRC, applies and does not allow business expenses of professional gamblers to be deducted in excess of gambling winnings.
- ▶ Taxpayers appealed and Brown County Circuit Court dismissed the case because the petitioners failed to meet the requirement under sec. 227.53(1)(a)1., Wis. Stats., to timely serve the Commission with a copy of their petition.
- ▶ See *Wisconsin Tax Bulletin 228* (January 2025), page 13, for additional information.



Litigation: Effect of capital gain exclusion on credit for taxes paid to other states

Wolfgang and Terry Hemschik v. Wisconsin Department of Revenue: Wisconsin Tax Appeals Commission, October 14, 2024

- ▶ Issue: Computation of the credit for taxes paid to other states (TPOS credit) when the income tax paid is on net long-term capital gains and Wisconsin only taxes 70% of such capital gains.
- ▶ Department adjusted taxpayers 2021 WI income tax return because Wisconsin taxes 70% of [net long-term] capital gain income, which is less than the capital gain income that was taxed by the other states.
- ▶ Commission concluded that since Wisconsin's definition of income specifically excludes capital gains that are not considered income under sec. 71.05(6)(b)9., Wis. Stats., the amount of gain excluded from Wisconsin income cannot be considered as being taxed by both Wisconsin and another state.
- ▶ See *Wisconsin Tax Bulletin 228* (January 2025), page 13, for additional information.



Litigation: Farming Activity – Not Engaged in For Profit

Daryl & Chrissann Jaeger v. Wisconsin Department of Revenue: Wisconsin Tax Appeals Commission, January 23, 2025

- ▶ Issue: Deductibility of losses from farming activity and whether the activity was engaged in for profit
- ▶ Taxpayers had a farming activity with losses, as well as wages earned as an engineer.
- ▶ No documentation was provided to support testimony that they consulted an agronomist and took courses or programs to increase profitability.
- ▶ Business and personal funds were commingled, and records were incomplete.
- ▶ Activity never recorded a profit in 15 years.
- ▶ The Commission analyzed the nine factors in the federal regulations to determine whether the activity was engaged in for profit and found in favor of the department.
- ▶ See *Wisconsin Tax Bulletin 229* (April 2025), page 12-13, for more information.



Litigation: Exclusion from Income of Health Insurance Payments and Deductibility of Business Losses

Paul Komarck v. Wisconsin Department of Revenue: Wisconsin Tax Appeals Commission, January 13, 2025

- ▶ Issue: Whether the taxpayer could exclude payments of health insurance premiums from their income and whether a consulting activity was engaged in for profit.
- ▶ Taxpayer conceded most of the business loss issues, so the main issue of contention was the health insurance premiums.
- ▶ At the time, the relevant Internal Revenue Code section required payments be made directly from the employee's retirement plan to the health plan to be eligible for an exclusion.
- ▶ The department found that the taxpayer paid the premiums out of pocket for some years and was covered under their spouse's health plan for other years, so the deduction was not allowed.
- ▶ The law has since been changed for subsequent years to allow premiums paid out of pocket.
- ▶ See *Wisconsin Tax Bulletin 229* (April 2025), page 14, for more information.



Litigation: Securities Trading Activity – Not Engaged in For Profit

Willie and Rita Hyché v. Wisconsin Department of Revenue: Wisconsin Tax Appeals Commission, July 31, 2025

- ▶ Issue: Whether the taxpayers could deduct business losses from Willie Hyché's trading activities or the losses were limited under sec. 183, IRC, for the activity not being engaged in for profit.
- ▶ Department audited taxpayers' 2018 through 2021 Wisconsin individual income tax returns and disallowed the expenses and losses reported on federal Schedule C for the trading business.
- ▶ After analyzing the factors specified in Treas. Reg. §1.183-2, the Commission ruled the securities trading activity was not engaged in for profit and upheld the department's assessment.
- ▶ See *Wisconsin Tax Bulletin 231* (October 2025), page 14, for more information.



Litigation: Earned Income Credit – Proof of Earned Income

Yusuf Muhammad v. Wisconsin Department of Revenue: Wisconsin Tax Appeals Commission, September 30, 2025

- ▶ Issue: Whether the taxpayer was eligible for Wisconsin's earned income credit (EIC)
- ▶ Department disallowed the self-employment income and EIC claimed on the 2024 Wisconsin individual income tax return due to insufficient documentation of income, plus other issues related to the qualifying children.
- ▶ The Commission ruled the taxpayer did not provide adequate documentation to verify they had earned income (self-employment income) to be eligible for the credit.
- ▶ See *Wisconsin Tax Bulletin 231* (October 2025), page 15, for more information.



Litigation: Intercompany Transactions – Valid Business Purpose and Economic Substance

Skechers USA, Inc. v. Wisconsin Department of Revenue: Court of Appeals, District II, June 4, 2025

- ▶ Issue: Whether the Wisconsin Department of Revenue properly applied sec. 71.30(2) Wis. Stats., allocation of gross income, deductions, credits between 2 or more businesses.
- ▶ Skechers USA, Inc contributed all its US Domestic intellectual property in return for 100% of the shares issued by a newly formed US subsidiary. Immediately after the subsidiary licensed the intellectual property rights back to the parent for a royalty fee. The department denied the royalty deductions for audited years.
- ▶ The Wisconsin Court of Appeals affirmed the circuit courts order upholding the Commission's decision that the taxpayer failed to prove by clear and satisfactory evidence that a nontax business reason existed for the royalty transactions
- ▶ Skechers USA, Inc. has appealed to the Wisconsin Supreme Court
- ▶ See [Wisconsin Tax Bulletin 230 \(July 2025\)](#), page 15, for more information.



Litigation: Nexus – Foreign Corporation Selling Travel Services

ASAP Cruises, Inc. v. Wisconsin Department of Revenue: Wisconsin Court of Appeals, June 3, 2025

- ▶ Issue: Whether a Florida corporation selling travel services through independent travel consultants to individuals and businesses in Wisconsin is subject to Wisconsin income or franchise tax.
- ▶ ASAP Cruises, Inc. (ASAP) is headquartered and primarily operates out of Jacksonville, Florida. ASAP sells travel services to customers across the United States by utilizing independent travel consultants, who ultimately provide the services to individuals and businesses. ASAP pays the independent travel consultants a commission based on sales volume. ASAP received income from the sale of travel services by independent travel consultants to customers across the United States, including Wisconsin. ASAP did not file Wisconsin income or franchise tax returns. The department issued estimated income/franchise tax assessments.



Litigation: Nexus – Foreign Corporation Selling Travel Services

ASAP Cruises, Inc. v. Wisconsin Department of Revenue: Wisconsin Court of Appeals, June 3, 2025

- ▶ The Wisconsin Court of Appeals affirmed the Commission's decision that the travel agents sell travel services on behalf of the taxpayer, not tangible personal property. Therefore, ASAP is not protected by Public Law 86-272, and is subject to Wisconsin Corporate income and franchise tax.
- ▶ ASAP has appealed to the Wisconsin Supreme Court
- ▶ See [Wisconsin Tax Bulletin 218 \(July 2022\), page 13](#), for information on the Commission's decision.
- ▶ See [Wisconsin Tax Bulletin 230 \(July 2025\) Page 16](#), for more information on the Court of Appeals decision.



Sales and Use Tax Updates

Elimination of Tax on Household Utilities

2025 Wis. Act 15

- ▶ Effective October 1, 2025, electricity and natural gas sold for residential use is exempt from tax for all months.
- ▶ Prior to October 1, 2025, electricity and natural gas sold during the months of November to April for residential use is exempt from tax.
- ▶ Residential use means use in a structure or portion of a structure which is a person's permanent residence, but does not include use in transient accommodations, motor homes, travel trailers, or other recreational vehicles.



New Exemption – Certain Information Products

2025 Wis. Act 15

- ▶ Effective October 1, 2025
- ▶ Exempts certain information products used exclusively by:
 - An insurance company and its affiliates that possess a certificate of authority from the commissioner of insurance
 - An insurance intermediary licensed by or subject to the jurisdiction of the commissioner of insurance
- ▶ An exemption certificate is required by the purchaser to claim the exemption.



New Exemption – Certain Information Products

- ▶ Information products must contain reports, statistics, records, or other data used for purposes of quoting, underwriting, determining insurability, assessing risks, setting rates, or adjusting claims.
- ▶ The exemption applies regardless if the information products are transferred in tangible or digital form, and regardless if sold on transactional basis or through a license, subscription, or similar fee.

Note: Without the exemption, such products may be taxable digital goods as an "information product."



New Exemption - Electric Vehicle Charging Stations

2023 Wis. Act 121

- ▶ Effective January 1, 2025
- ▶ An exemption for the sale of electricity delivered or placed into the battery or other energy storage device of an electric vehicle by:
 - A Level 3 charger
 - A Level 1 or Level 2 charger installed on or after March 22, 2024
- ▶ An exemption certificate is not required from the purchaser



Exception for Adoption of a Premier Resort Area

2025 Wis. Act 15

- ▶ Effective January 1, 2026
- ▶ Authorizes a political subdivision with population of 4,000 to 11,000 to declare itself a premier resort area under s. 66.1113(2)(a) and enact the tax under s. 77.994
- ▶ Action must be approved by a majority of the electors in the political subdivision voting on the resolution at a referendum held prior to June 1, 2025
- ▶ The political subdivision must reduce its levy limit in the current year by an amount equal to 50 percent of the proceeds of that tax in the previous year, less any previous deductions made.



Are Tariffs Included in Sale Price or Purchase Price?

- ▶ Tariffs are imposed on the importer of goods. The importer may be a reseller or consumer of the goods. An importer that resells goods may pass the tariff on to their customer as a separate line item on the invoice or receipt.
- ▶ *Importer is the consumer:*
 - A consumer that pays a tariff to the U.S. custom's authority is not liable for use tax on the tariff. The purchase price subject to use tax is the amount paid to the foreign seller.
- ▶ *Importer resells product:*
 - A reseller can purchase products without tax for resale.
 - A retailer is liable for sales tax on the entire sale price of a taxable product without reduction for costs incurred by the retailer (e.g., tariffs). If an importer resells products at retail, and passes on the tariff as a separate charge to their consumer, the charge for the tariff is included in the sales price subject to sales tax.

Credit Card Fees Charged to Consumers

- ▶ Retailers may charge consumers a fee for paying with credit cards.
- ▶ The additional charge is part of the sale price and is subject to tax for the sale of a taxable product or service.

Example:	Advertised price of television	\$599.00
	Credit card fee ($\$599.00 \times .03$)	<u>17.97</u>
	Taxable sales price	<u>\$616.97</u>

- ▶ If the credit card is used to pay for both taxable and nontaxable products or services, the retailer may allocate the credit card fee between the taxable and nontaxable purchases.

Elimination of the Penny

- ▶ The federal government stopped minting the penny. Businesses are experiencing a shortage of pennies in circulation.
- ▶ Business should consult with their legal advisors on how to handle cash transactions with customers when pennies are no longer available. Depending on circumstances, businesses may choose different solutions. For example:
 - Accept only digital payments or checks
 - Cash: Round the final amount due (after tax) up or down to the nearest \$0.05
 - Cash: Round the final amount due (after tax) down to the nearest \$0.05
- ▶ Wisconsin sales/use tax is rounded to the nearest \$0.01 and is calculated before rounding the final amount due on a cash transaction.



Data Centers – Sales Tax Exemption

- ▶ Wisconsin law provides a sales tax exemption for property used *exclusively* for the development, construction, renovation, replacement, repair, or operation of a qualified data center.
- ▶ "Qualified data center" is the buildings that house a group of networked server computers in order to centralize the processing, storage, management, retrieval, communication, or dissemination of data and information.
- ▶ Qualified data center must be certified by WEDC and meet qualified minimum investment.
- ▶ An exemption certificate must be provided to vendors to claim the exemption.
- ▶ [Fact Sheet 2114](#), *Sales and Use Tax Exemption for Qualified Data Centers*



Reminder: New county sales and use taxes in 2025

- ▶ January 1, 2025, Manitowoc County imposes a 0.5% county sales and use tax
- ▶ April 1, 2025 , Racine County imposes a 0.5% county sales and use tax
- ▶ For a list of income, sales, and excise tax rates in Wisconsin, search "tax rates" at www.revenue.wi.gov



Excise Tax Updates

Electric Vehicle Charging Tax

2023 Wis. Act 121

- ▶ Effective January 1, 2025
- ▶ Excise tax is imposed equal to 3 cents per KWH on the electricity delivered
- ▶ Registration is required by any person who delivers, places, or offers to deliver or place, electricity from an electric vehicle (EV) charging station owned, operated, managed, or leased by the person (see exceptions on next slide).
- ▶ The registrant must identify the location of each EV charging station.



Electric Vehicle Charging Tax

- ▶ Persons required to register and pay the excise tax include natural persons, business entities, nonprofit organizations, and governmental units.
- ▶ No registration is required for (and the excise tax does not apply to) an EV charging station if either of the following apply:
 - The EV charging station is located at a temporary or permanent residence, except hotels.
 - All the chargers at an EV charging station are Level 1 or Level 2 chargers installed prior to March 22, 2024.



Electric Vehicle Charging Tax

- ▶ Excise tax is due regardless of whether:
 - The operator charges the consumer for the electricity
 - The charging station is made available to the public
- ▶ Returns must be filed and taxes paid biannually by:
 - July 31 for the period January 1 to June 30
 - January 31 for the period July 1 to December 31
- ▶ [Publication 305](#), *Electric Vehicle Charging Tax Information*

Electronic Vaping Devices (EVDs)

2023 Wis. Act 73

- ▶ **Municipal licenses:** Effective May 6, 2024, retailers of EVDs must hold a municipal license in the municipality in which the business operates.
- ▶ **DOR EVD Directory:**
 - No later than July 1, 2025, and annually thereafter, a manufacturer of an EVD must certify to DOR that they will comply with sec. 995.15, Wis. Stats. (see exception for hemp devices on next slides).
 - DOR must create a directory on its website of certified EVDs
 - EVDs not listed on the directory cannot be sold, offered for sale, or possessed for sale in Wisconsin after September 1, 2025 (see exception for hemp devices on next slides).



Electronic Vaping Device Directory

- ▶ EVDs must meet one of the following to be listed on the directory:
 - The manufacturer received a marketing authorization (MGO) or similar order for the EVD from the FDA pursuant to 21 USC 387j;
 - The EVD was marketed in the U.S. as of August 8, 2016, and the manufacturer submitted a pre-market tobacco product application (PMTA) for the EVD to the FDA on or before September 9, 2020, and the application remains under review or a final decision on the application has not otherwise taken effect; or
 - The EVD contains hemp, as defined in sec. 94.55(1), Wis. Stats, and does not contain nicotine (2025 Wis. Act 15)
- ▶ As of 11/02/2025, there are 284 devices on the EVD directory – see DOR website.

Electronic Vaping Device Directory

- ▶ Starting September 1, 2025, EVDs not listed on the directory may be seized and a forfeiture of \$1,000 per day for each device is imposed on manufacturers and retailers that sell or offer for sale an EVD not listed on the directory.

Exception (2025 Wis. Act 15): An EVD that contains hemp, as defined in sec. 94.55(1), Wis. Stats., and does not contain nicotine (hemp device), must be certified to DOR no later than July 1, 2026, and annually thereafter. These hemp devices cannot be sold or offered for sale in Wisconsin beginning July 1, 2026, if the hemp device is not listed on the directory. Beginning September 1, 2026, a \$1,000 forfeiture (per day for each device) is imposed on manufacturers and retailers that sell or offer for sale a hemp device not listed on the directory.

- ▶ Ongoing litigation – U.S. Court of Appeals 7th Circuit: *Wisconsinites For Alternatives to Smoking and Tobacco, Inc., et al., v. David Casey*



Form and Processing Updates

2025 Income Tax Form Changes

- ▶ Department of Financial Institutions (DFI) Number added
 - Forms 3, 4, 4H, 4T, 5S, and 6; Schedule DE
- ▶ Eliminated expired credit schedules
 - Schedule DC - *Development Zones Credits*
 - Schedule ED - *Economic Development Tax Credit*
- ▶ Retirement subtractions
 - Schedule SB - *Subtractions from Income*
 - Line 16 - new retirement subtraction (no credits may be claimed)
 - Line 17 - \$5,000 retirement subtraction
 - Schedule M - *Additions to and Subtractions from Income*
 - Line 50 - new retirement subtraction (no credits may be claimed)
 - Line 51 - \$5,000 retirement subtraction



2025 Income Tax Form Changes

▶ Schedule CR - *Other Credits*

- Line 2: Water consumption credit – reserved because credit is expired
- Line 5: Veteran employment credit – reserved because credit is expired
- Line 23: Opportunity zone investment credit – reserved because credit is expired

▶ Schedule CS - *College Savings Accounts*

- \$5,130 per beneficiary
- \$2,560 per beneficiary for married filing separate or head of household, married

▶ Schedule CF Instructions - *Carryforward of Unused Credits*

- Removed code 31 - water consumption
- Removed code 33 - veteran employment
- Removed code 35 - opportunity zone investment



2025 Income Tax Form Changes

- ▶ Schedule SB Instructions - *Subtractions from Income*
 - Line 20 - increased adoption expense limit to \$15,000 per adopted child
- ▶ Schedule M Instructions - *Additions to and Subtractions from Income*
 - Line 54 - increased adoption expense limit to \$15,000 per adopted child



Electronic Filing – new reject rules

- ▶ Third-party software submitting Modernized eFile (MeF) returns will have returns rejected under the following new rules:
 - *New retirement income subtraction*: Taxpayers who claim the subtraction may not claim any Wisconsin tax credit for the taxable year. Returns claiming both the new retirement income subtraction and any credit(s) will be rejected.
 - *Development Zones and Economic Development Tax Credits*: No new credits may be claimed - Schedules DC and ED are retired. Only carryovers of these credits may be shown on Schedule CF.

Sales and Withholding

- ▶ Sales tax XML software developers will be required to have a Letter of Intent (LOI) and testing in 2026
- ▶ Payroll Service Providers will be required to submit IRS Form 8655, Reporting Agent Authorization, or Wisconsin Form A-222, Power of Attorney, during electronic enrollment in 2026
- ▶ IRS is retiring the FIRE system and only allowing IRIS reporting beginning with tax year 2026 (filing season 2027)
 - DOR already accepts IRIS-formatted XML submissions with LOI and testing approval by developer
- ▶ To expedite processing, file final WT-6 deposit reports at least one full business day before the WT-7 annual reconciliation

Filing Tips

Filing Tips – Individual Income Tax

▶ Veteran's Property Tax Credit:

- Property taxes must be paid (received by the municipality) by 12/31/25 to be claimed on the 2025 return
- Attach verification from Wisconsin DVA.

▶ Supplement to Federal Historic Rehabilitation Credit:

- Attach Schedule HR and certification from WEDC

▶ State Historic Rehabilitation Credit (Individuals only):

- Attach Schedule HR and certification from WHS

Filing Tips – Individual Income Tax

- ▶ Include all credit schedules with tax returns
- ▶ Some credit schedules (e.g., Schedule CS, *College Savings Accounts*) flow directly to the tax return. Make sure the credit goes to the appropriate line of the Form 1 or 1NPR.
- ▶ Some credit schedules flow to Schedule CR, also include:
 - Include both the credit schedule and Schedule CR with the return to claim current year's credit
 - Include Schedule CF if there is a credit carryover available from prior years

Filing Tips – Individual Income Tax

- ▶ No additions on Schedule SB nor subtractions on Schedule AD
- ▶ When claiming decedent's refund with Form 804, attach a copy of the domiciliary letter if claimant is court-appointed personal rep.
 - If not personal rep, claimant must have proof of death (no need to attach to 804 but must keep it in case the department requests it)
- ▶ Wait to distribute K-1s until the entity's return is filed

Filing Tips – Pass Through Entities

- ▶ If claiming credits and/or withholding passed through from another entity, include with the return (if applicable):
 - Schedules 2K-1, 3K-1, or 5K-1
 - Schedule DE if the K-1 is in the name of a disregarded entity
- ▶ Nonresident owners cannot claim withholding passed through from an entity on Form 1NPR if that entity elects to pay tax at the entity level and claims the withholding to offset tax at the entity level, or the nonresident is included on a composite return (1CNP or 1CNS) filed by the entity and the withholding is used to offset income tax on the composite return.
 - Wisconsin is different from some other states in this situation

Filing Tips – Pass Through Entities

- ▶ Composite individual income tax returns (Forms 1CNP and 1CNS):
 - Shareholders/partners who have applied for an ITIN/SSN but do not have it yet should not be included on the composite return
 - Duplicate SSNs
 - If both an individual and their revocable grantor trust are owners of a pass-through entity, combine the amounts and report under the individual's SSN on the 1CNP or 1CNS

Filing Tips – Sales & Withholding

- ▶ Do not forget to report city and county sales and use tax, if applicable
- ▶ Update seller's permit locations timely to aid in processing
- ▶ 1099s with withholding must be filed by January 31 – combined fed-state cannot be used
- ▶ 1099s without withholding encouraged to be filed by January 31 to assist with fraud prevention and expedite individual income tax return processing
- ▶ \$10 penalty for late or missing W-2s/1099s; penalty also applies if 10 or more filed on paper

Payments

- ▶ Electronic payment is secure and more reliable
- ▶ If mailing a payment, send with a voucher and do not mask nor white out the tax number on the voucher (especially in the scanline at the bottom)
 - Preferred: use voucher created on DOR website

The screenshot shows the homepage of the Wisconsin Department of Revenue. At the top, there is a search bar and navigation tabs for ONLINE SERVICES, BUSINESSES, INDIVIDUALS, TAX PROFESSIONALS, GOVERNMENTS, and UNCLAIMED PROPERTY. The main content area is divided into several sections: a message from Secretary Casey, current topics, online services (including Wistax, My Tax Account, and Where's My Refund), a personal My Tax Account section, and quick links. A red arrow points from the 'TAX PROFESSIONALS' tab to the 'Make a Payment' link in the 'Quick Links' section.

Make a Payment

Need to make a payment? Select a tax type below to see the available payment options. Electronic payment options include direct debit, credit card, and other electronic payments. There is no fee for paying via direct debit from a checking or savings account. Convenience and processing fees apply for other methods.

Make a Payment - Individuals and Fiduciaries

Payments can be made via the methods below. Select an option for instructions.

- Payments can also be made using an [approved software program for individuals](#) or an [approved software program for businesses](#).
- If you received a notice (bill) from us and would like to send a check, submit the voucher from the first page of the notice with your payment to the address on the voucher.
- Individuals should consider registering for [My Tax Account](#), for access to view mail, schedule and cancel estimates and more.

Direct Debit, Credit Card and Other Electronic Payments

Paper Check or Money Order

- If you are making an estimated income tax payment by check, enclose your check with [Form 1-1](#).
- If you filed your income tax return electronically, enclose your check with [Form PV \(Wisconsin Payment Voucher\)](#).

Wisconsin Department of Revenue
PO Box 3028
Milwaukee, WI 53201-3028

Note: If you do not have your voucher, visit our [Payment Vouchers](#) page to create one.

Check Payment Tips

- ▶ Verify the check date and that it is not stale-dated
- ▶ Pay to: Wisconsin Department of Revenue
- ▶ Verify the dollar amount matches the legal description line
- ▶ Ensure the check is signed
- ▶ Make sure the bank routing and account numbers are legible and not redacted
- ▶ Do not photocopy/reuse old vouchers
- ▶ Make sure the scanline on vouchers is all numerical – if it contains special characters, printer software may need to be updated

Refunds

- ▶ Direct deposit is faster and more secure
- ▶ Can take over a month to receive a replacement paper check if lost or damaged
- ▶ If opting for paper check, please ensure DOR has a current mailing address
 - Use current mailing address on returns
 - Call or email us to update addresses if you move after filing
 - If check is mailed to an old/incorrect address, DOR must wait 30 days before opening a check trace
 - A stop payment is placed on the original check when a trace is opened
 - Results of a check trace are mailed 2-3 weeks after the trace is opened; results will be:
 - A new check, or
 - A copy of the front and back of the cashed check (showing the signature) with instructions on how to proceed with a forgery claim

My Tax Account

(MTA)

MTA Changes

- ▶ Software version upgrade rolling out January 12
- ▶ General look and feel, navigation will remain the same
- ▶ New features:
 - Use a passkey to log in rather than a password (optional – you can still continue using a password if you prefer)
 - Passkey allows you to sign in using your fingerprint, facial recognition, etc. instead of a username and password
 - Change your username
 - Create a payment voucher directly from the confirmation screen
 - Once created, find the voucher in submission history rather than mail

MTA Changes

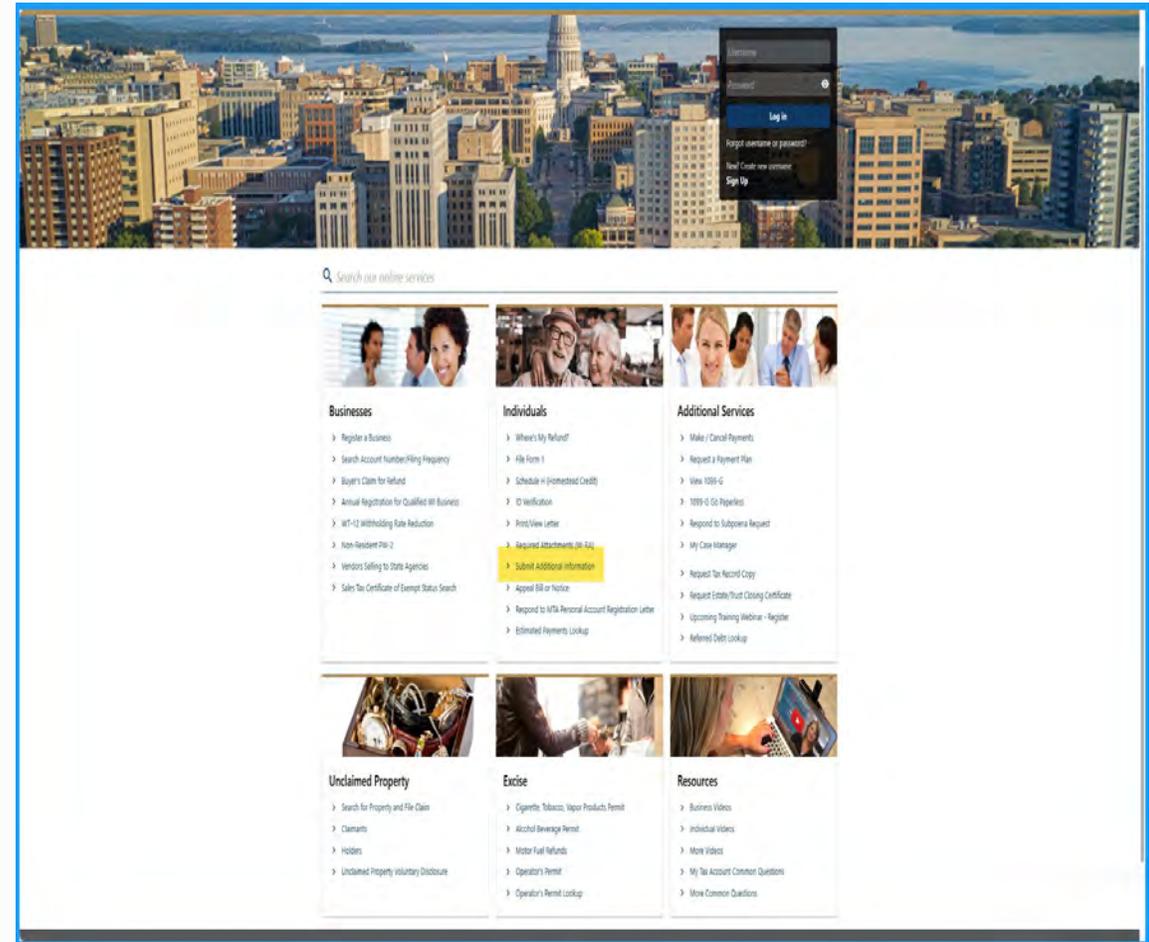
- ▶ New Security tab:
 - Manage and update your sign-in methods (password, passkey, authentication app, text, email)
 - Revoke trusted browsers
 - See when your password expires
- ▶ Payments submitted immediately after filing a return are simplified
 - MTA will recognize the period and account type from the return
- ▶ Unregistered/non-logged-on payments: user will be required to verify their email address by typing in a security code

MTA Reminders

- ▶ WI Identity Protection (IP) PIN
 - Ensures someone cannot file a WI return in your client's name
 - Enrollment is optional and completed via MTA
 - Once enrolled, must list PIN on all future returns (2021 and forward)
 - Expires 12/31 each year, new PIN issued in January
- ▶ Protect your account information: regularly review who has access to your accounts in MTA (and encourage clients to do the same)

MTA Reminders

- ▶ Use MTA to submit documents in response to letters
 - Most letters now allow this, but check the letter instructions
- ▶ Provide multi-page documents as one PDF
 - This allows DOR staff to review documents more efficiently, creating a faster turnaround time for taxpayers



My Case Manager

▶ My Case Manager is available to help you and your clients make the audit process smoother; resources:

- [Publication 701, My Case Manager User Guide](#)
- [My Case Manager Common Questions](#)
- [Audit Web Page](#)

Revenue | MY tax ACCOUNT

< Home

My Case Manager

Important

This:

- Allows limited access to My Case Manager for non-registered users.
- Is for taxpayers only.

Click the Register for My Tax Account link to become a registered user.

Register for My Tax Account

Already Registered? Log-In Here

Lookup

Lookup Type

Audit Case

Lookup ID *

Required

ID Type

FEIN ITIN SSN

ID *

Required

Business Name *

Required

Search

Department News, Reminders, and Statistics

Department News and Initiatives

- ▶ Federal government shutdown
- ▶ A year in with our new call center
 - New tools for us to better assist you
 - Fewer outages
 - More improvements in progress
- ▶ Analyzing and optimizing tax return suspension rules and identity theft selection
 - Goal: reduce false positives
- ▶ Increasing cross-training and trying new methods to manage the work for employees who process returns

Audit Tips and Initiatives

- ▶ DOR receives information from the IRS and third parties that we use to adjust taxpayers' Wisconsin returns
 - If a taxpayer receives an audit bill and disagrees, they should appeal with documentation to support their appeal
 - Appeals must be submitted within 60 days, or the audit bill becomes final

Audit Tips and Initiatives

- ▶ Prioritize closure of long running audits
- ▶ Speeding up audits
 - Provide IT resources in initial meetings with auditor to identify requested electronic records
 - DOR trains staff to write clear, detailed descriptions of records requested
 - Provide requested records to the auditor in a timely manner
- ▶ Uncertain tax position
 - Have documents ready for auditor to support tax position

You Are A Target! Protect Your Clients; Protect Yourself

- ▶ Accounting firms hold valuable client data and e-filing credentials which make them the target of cybercriminals
- ▶ Spear phishing and other scams from those posing as clients, tax software or cloud storage providers, and the IRS are common
- ▶ Each year Wisconsin firms fall victim to these scams resulting in lost time, funds and trust
- ▶ System intruders can change direct deposit accounts on pending returns to accounts they control and/or steal data, which is then used to create fraudulent tax returns
- ▶ Stolen data can be misused for years to come

You Are A Target! Protect Your Clients; Protect Yourself

▶ Vigilance is key. Signs of a potential data breach include:

- Returns submitted or changed from unrecognized IP addresses, at unexpected times, or by an unexpected employee
- Unusual computer activity (e.g., running slower, crashes, lockouts, cursor moving) – these can be a sign of malware
- An employee reports they clicked on a link or attachment from a suspicious email
- You receive responses to emails you did not send
- Number of returns e-filed with your EFIN or PTIN exceed the number you submitted
- Increase in rejects because clients' Social Security numbers were already used on another return
- Customer contacts indicating a state or federal tax refund was issued but not deposited into their bank account
- Clients receive IRS or state authentication letters when they haven't yet filed a return
- Clients receive unexpected refunds, transcripts or other tax notices

You Are A Target! Protect Your Clients; Protect Yourself

- ▶ Implementing safeguards such as these can protect your clients and your reputation:
 - Install anti-malware/anti-virus security software on all devices and automatically update software
 - Use a firewall
 - Create and secure virtual private networks
 - Use strong and unique passwords
 - Implement two-factor authentication
 - Encrypt all sensitive data
 - Make a final review of return information (and direct deposit info) - prior to e-filing
 - Limit access to taxpayer data to individuals who need to know.
- ▶ Security guides and other resources are available on the IRS's [Identity Theft Information for Tax Professionals](#) page

Data Breach Reporting

- ▶ **IRS Stakeholder Liaison:** liaison will notify IRS Criminal Investigation and others within the agency. For Wisconsin, contact CL.SL.Area.6@irs.gov or 206-946-3703.
- ▶ **States in which you prepare state returns:**
 - Wisconsin: email DORIDTheft@Wisconsin.gov. Include your organization's name, brief description of the incident and contact information for the individual who will be working with DOR. Do not include personally identifiable information (PII) for impacted employees or customers in your email. DOR's fraud team will contact the firm (typically the same day) to discuss next steps.
 - Other states: see the Federation of Tax Administrator's [Report a Data Breach](#) page for contact information
- ▶ **Local law enforcement**
- ▶ **Security experts:** it's important to determine the cause and scope of the breach and to prevent further breaches from occurring
- ▶ **Affected staff and clients:** Wisconsin statutes require most businesses to notify individuals if an unauthorized person has acquired their personal information. To learn more, see the [Wisconsin's Data Breach Notification Law](#) guide.
- ▶ **Insurance company:** check if your insurance policy covers data breach mitigation expenses

ID Verification

	FY25	FY24	FY23	FY22
Returns Evaluated	3,186,562	3,164,804	3,157,506	3,150,305
Quizzes Required	1,730	3,463	3,671	4,362
PINs Required	31,836	57,304	52,135	56,373
ID Docs Required	3,305	5,030	4,829	6,870
ID Docs Reviewed	5,521	6,758	6,306	5,764
Total ID Verification Actions Required	36,871	65,797	60,635	67,605
% of Returns Evaluated Requiring ID Verification	1.16%	2.08%	1.92%	2.15%
Refunds Denied for Failure to Verify ID	9,885	26,030	23,896	10,994

Refunds Denied or Reduced

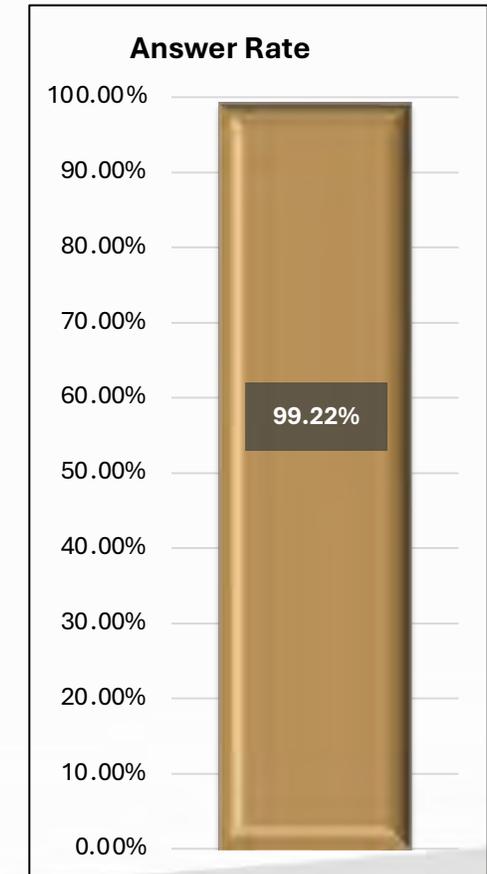
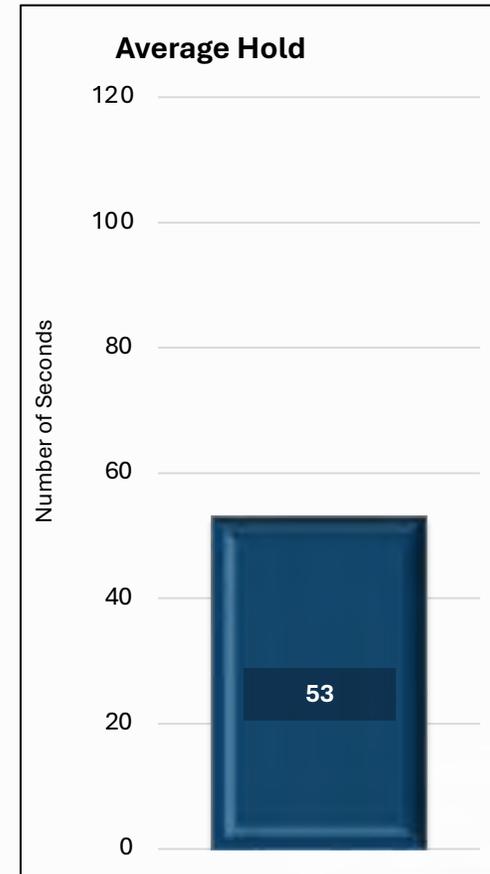
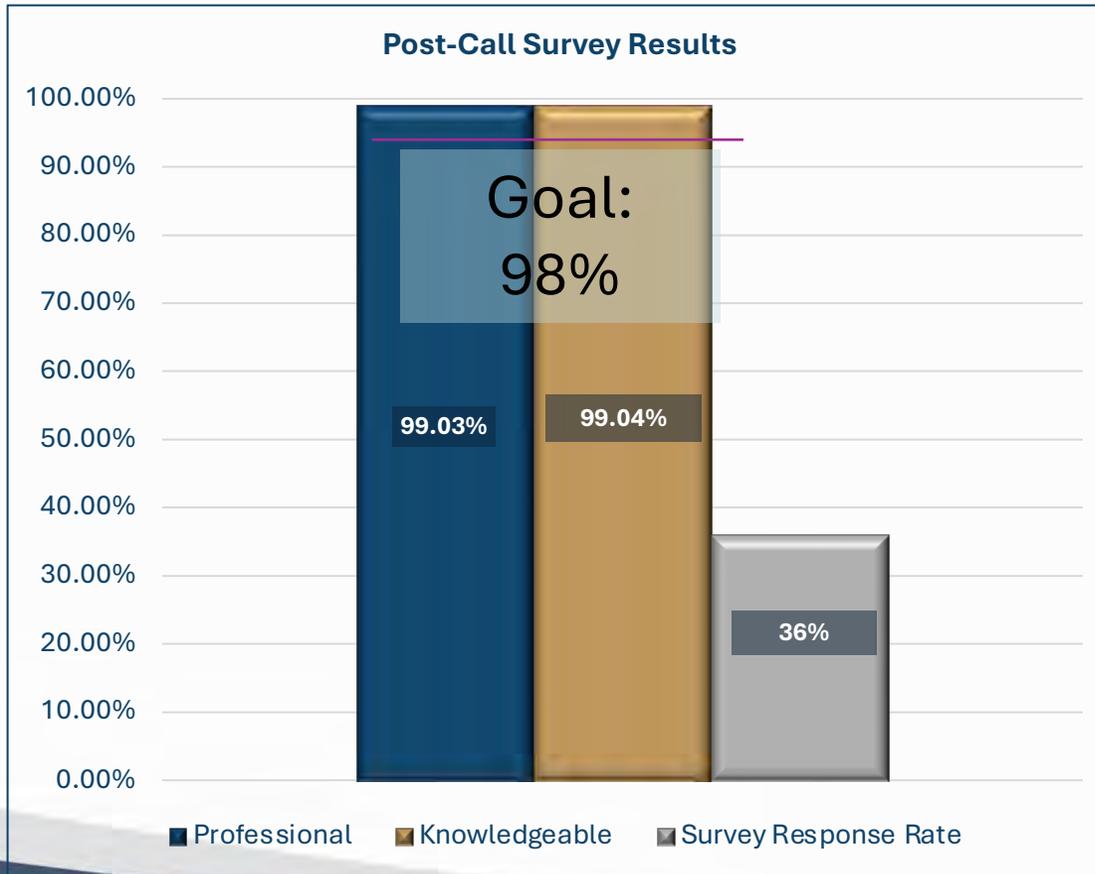
Refunds Denied or Reduced	Fraud Detection With Analytics	Processing Fraud - OCI	Processing Fraud - Tax Ops	Earned Income Credit	Homestead Credit	Total for Specific Initiatives
FY25	\$6,006,638	\$12,770,930	\$6,761,079	\$21,816,932	\$15,440,064	\$62,795,643
FY24	\$12,623,912	\$239,872,447**	\$7,984,540	\$19,487,216	\$16,885,597	\$296,853,712
FY23	\$12,009,837	\$296,182,433*	\$9,126,383	\$21,113,030	\$18,943,325	\$357,375,008
FY22	\$5,705,235	\$10,571,743	\$6,662,514	\$23,387,279	\$23,197,939	\$69,524,710
FY21	\$3,190,632	\$9,878,995	\$4,631,190	\$19,748,512	\$24,148,497	\$61,597,826
FY20	\$5,613,849	\$7,940,577	\$2,656,902	\$8,123,852	\$4,776,598	\$29,111,778
FY19	\$8,595,686	\$5,970,625	\$6,020,804	\$20,436,036	\$14,358,603	\$55,381,754
FY18	\$7,052,669	\$5,869,413	\$5,628,995	\$17,943,046	\$14,862,551	\$51,356,674
FY17	\$9,300,745	\$6,059,255	\$8,044,070	\$20,134,976	\$16,046,799	\$59,585,845
FY16	\$11,149,599	\$8,092,817	\$6,849,591	\$19,946,592	\$17,004,928	\$63,043,527
FY15	\$11,050,119	\$7,335,531	\$6,889,513	\$16,682,990	\$15,828,093	\$57,786,246
FY14	\$3,550,473	\$4,904,089	\$8,195,222	\$17,710,656	\$15,299,425	\$49,659,865
FY13		\$3,434,613		\$14,257,838	\$12,480,794	\$30,173,245
FY12		\$1,702,300		\$9,341,511	\$14,694,458	\$25,738,269
						\$910,334,747

*FY23 OCI figure includes \$279,946,028 from one fraudulent return
 **FY24 OCI figure includes \$220,179,828 from three fraudulent returns



FY25 IS&E Division Phone Statistics

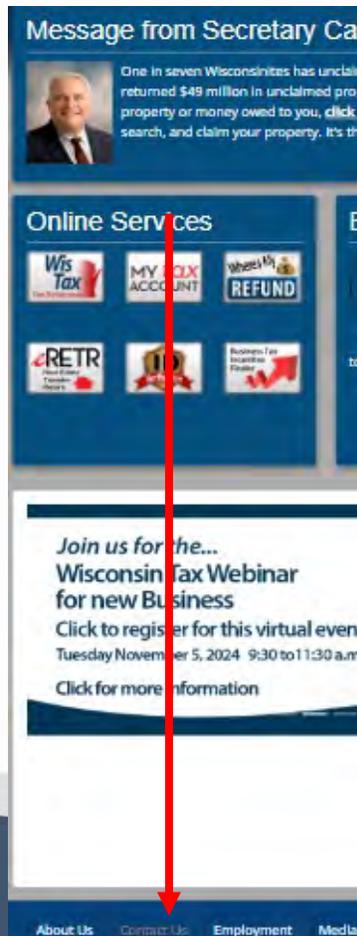
▶ 704,515 calls handled*



*includes outbound calls

Contact Us

- ▶ Visit the "Contact Us" page to find contact information for various areas of DOR
- ▶ Use the "Submit a question" link to email us



Contact Us

Welcome from the Secretary

Sign up for email updates

See all calendars

- Customer service telephone numbers
- All office locations
- By topic
- Records custodian
- **Submit a question**

Individuals

- By topic
- Office locations

Businesses

- By topic
- Office locations

Tax Professionals

- By topic
- Office locations

Governments

- By topic
- Equalization office locations
 - Districts Map
- Local Governments Services
- Manufacturing & Utility office locations
 - Districts Map
- Office of Technical and Assessment Services

Mailing Addresses

- Tax returns
- Open records requests
- Open records fees

Free Tax Help

- Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE)

Management Contacts

- Office of the Secretary
- Management information
- [Organizational Chart](#)

Submit a Question

- ▶ Subject helps route questions to the appropriate staff to handle

Submit a Question

For questions about responding to an identity verification letter, see our [Identity Verification page](#).

If you searched our website, tried the [refund inquiry](#) option, and still have questions or comments, send the Wisconsin Department of Revenue (DOR) an email using the form below.

Provide **all** the requested information in the boxes below. Do not include any **confidential** information in the message box. We will use the information to reply to your inquiry.

DOR responds to all questions during **normal business hours**; however, we cannot always respond immediately. For the quickest response, be sure to provide us your correct email address. Also, if you have suggestions to improve our website, use this form to submit your comments to our Webmaster.

* Indicates a required field.

*Name/Business Name	*Daytime Telephone Number (between 7:45-4:30) xxx-xxx-xxxx
*Street Address	*Email Address
*City, State, Zip	*Last 4 of SSN/FEIN
*Subject Select a subject	*Message

Submit Message Clear

General "Submit a question" link will show all available

***Subject**

Select a subject

- Select a subject
- Alcohol Beverage - Enforcement & Regulation
- Alcohol Beverage - Permits
- Alcohol Beverage - Tax
- Appeals (Income, Sales, Excise)
- Business Tax Registration - Account Changes
- Business Tax Registration - Questions
- Cigarette, Tobacco and Vapor Products - Enforcement
- Cigarette, Tobacco and Vapor Products - Tax
- Collections - Debt Sent to DOR for Collection
- Collections - Agency Collections Program - to refer debt to DOR
- Collections - Delinquent Tax Payments
- Collections - Financial Records Matching
- Comment on Administrative Rules
- Homestead Credit

Submit a Question

- ▶ To see a filtered list of subjects, choose "By topic" from the "Contact Us" page, choose the topic, then select the email link

Contact Us

Welcome from the Secretary

Sign up for email updates

See all calendars

- Customer service telephone numbers
- All office locations
- **By topic**
- Records custodian
- Submit a question

Mailing Addresses

- Tax returns
- Open records requests
- Open records fees

Free Tax Help

- Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE)

Management Contacts

- Office of the Secretary
- Management information
- Organizational Chart

Individuals

- **By topic**
- Office locations

Businesses

- **By topic**
- Office locations

Tax Professionals

- **By topic**
- Office locations

Governments

- **By topic**
- Equalization office locations
 - Districts Map
- Local Governments Services
- Manufacturing & Utility office locations
 - Districts Map
- Office of Technical and Assessment Services

Homestead Credit

ID Theft

Individual Income

PO Box 59
Madison, WI 53785-0001

PO Box 268
Madison, WI 53790-0001

(608) 266-2486

[Email Questions](#)

[Additional Information](#)

Local Government Finance

***Subject**

Select a subject

Select a subject

Income Tax - Individuals
Withholding Taxes - Pass-Through Income

Contact Us

- ▶ Practitioner email address and phone number
 - Do not share with your clients
 - DORTaxPractitioners@wisconsin.gov
 - (608) 261-5199

Thanks!

- Any questions?



International Tax Provisions Revised by the Big Beautiful Bill

Presented by

Robert Misesy, LL.M., J.D., M.B.A., B.A.

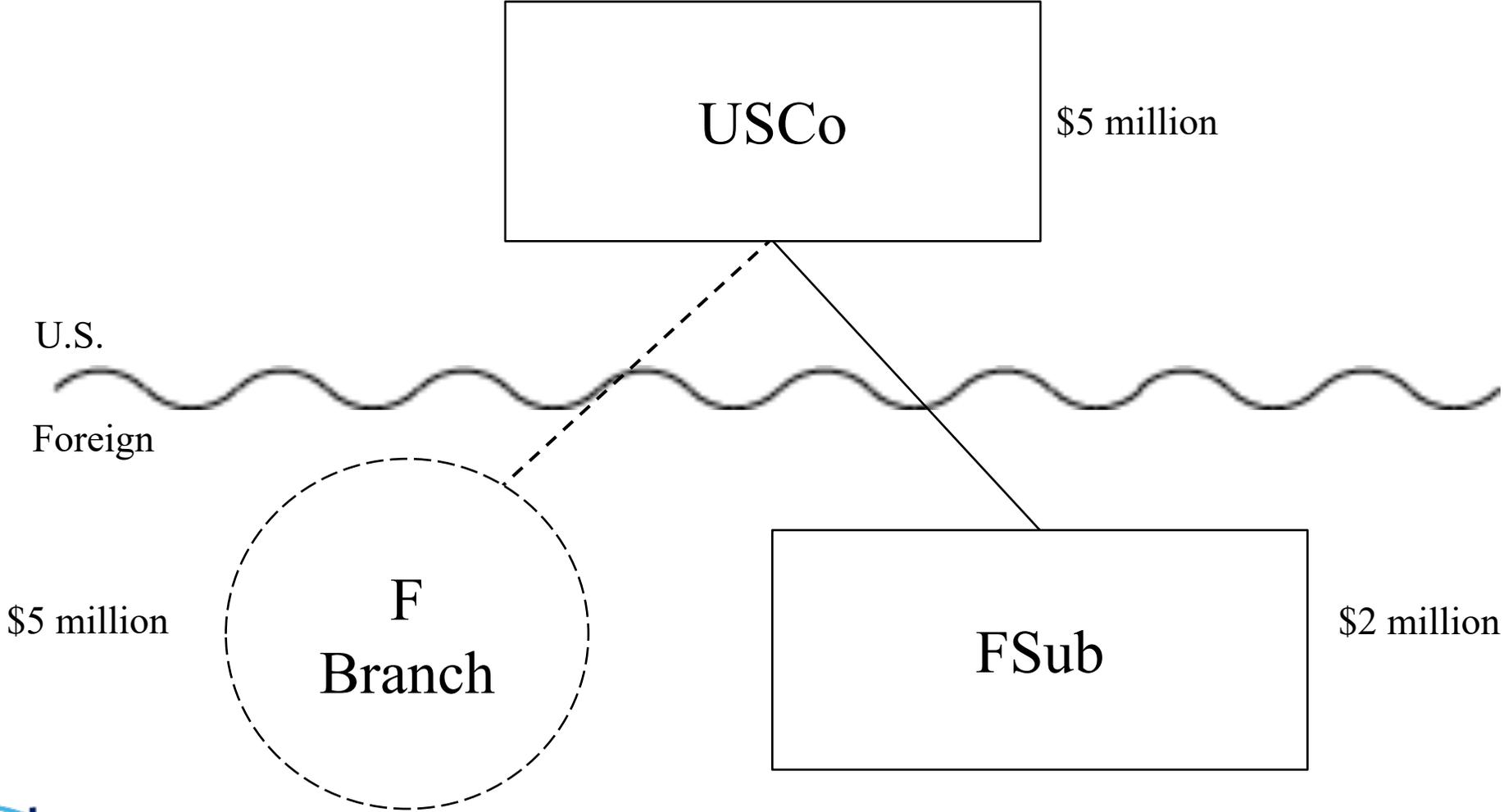
Chair, International Dept.

Robert Misesy

Major International Tax Provisions

1. NCTI replaces GILTI
2. FDDEI benefits exporters
3. More foreign-source income and more credits
4. Permanence to the foreign personal holding company exception for “Active”
5. Increasing the BEAT

World-Wide Income of U.S. Corporation Is \$10 Million

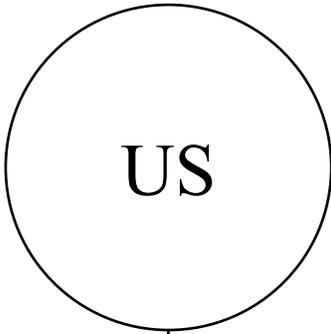


From GILTI to Net CFC Tested Income

- GILTI was the excess of a CFC's Tested Income greater than 10% of the CFC's tangible assets
- NCTI is a CFC's Tested Income without any reductions for a CFC's tangible assets

Example 1: GILTI with QBAI

U.S. individual owned a CFC that has \$10 million of tested income and \$15 million of tangible property. The GILTI inclusion was \$8.5 million, which was determined by subtracting 10% of the \$15 million of tangible assets from the \$10 million of tested income.

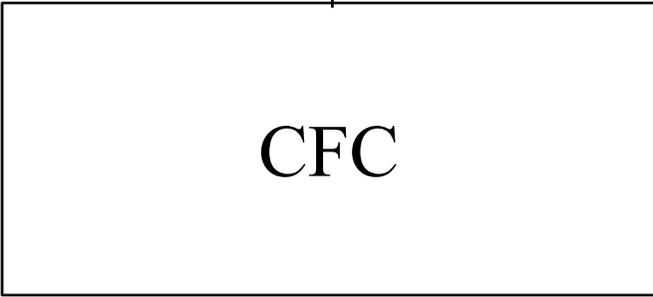


$$\begin{aligned} \text{GILTI} &= \$10\text{M} - (10\% \text{ of } \$15\text{M}) \\ &= \$10\text{M} - \$1.5\text{M} \\ &= \$8.5\text{M} \end{aligned}$$

U.S.

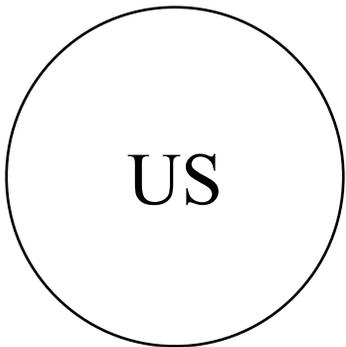
F

\$10M tested income
\$15M tangible property



Example 2: NCTI without QBAI

U.S. individual owns a CFC that has \$10 million of tested income and \$15 million of tangible property. The Net CFC Tested Income is \$10 million as the amount of tangible property (the QBAI) is irrelevant.

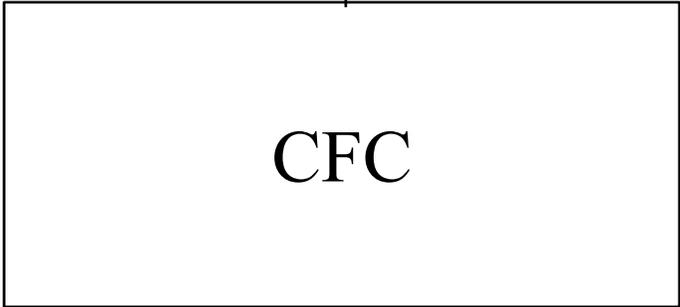


Net CFC Tested Income = \$10M

U.S.

F

\$10M tested income
\$15M tangible property



Net CFC Tested Income

Income of a CFC less any allocable deductions, but excludes:

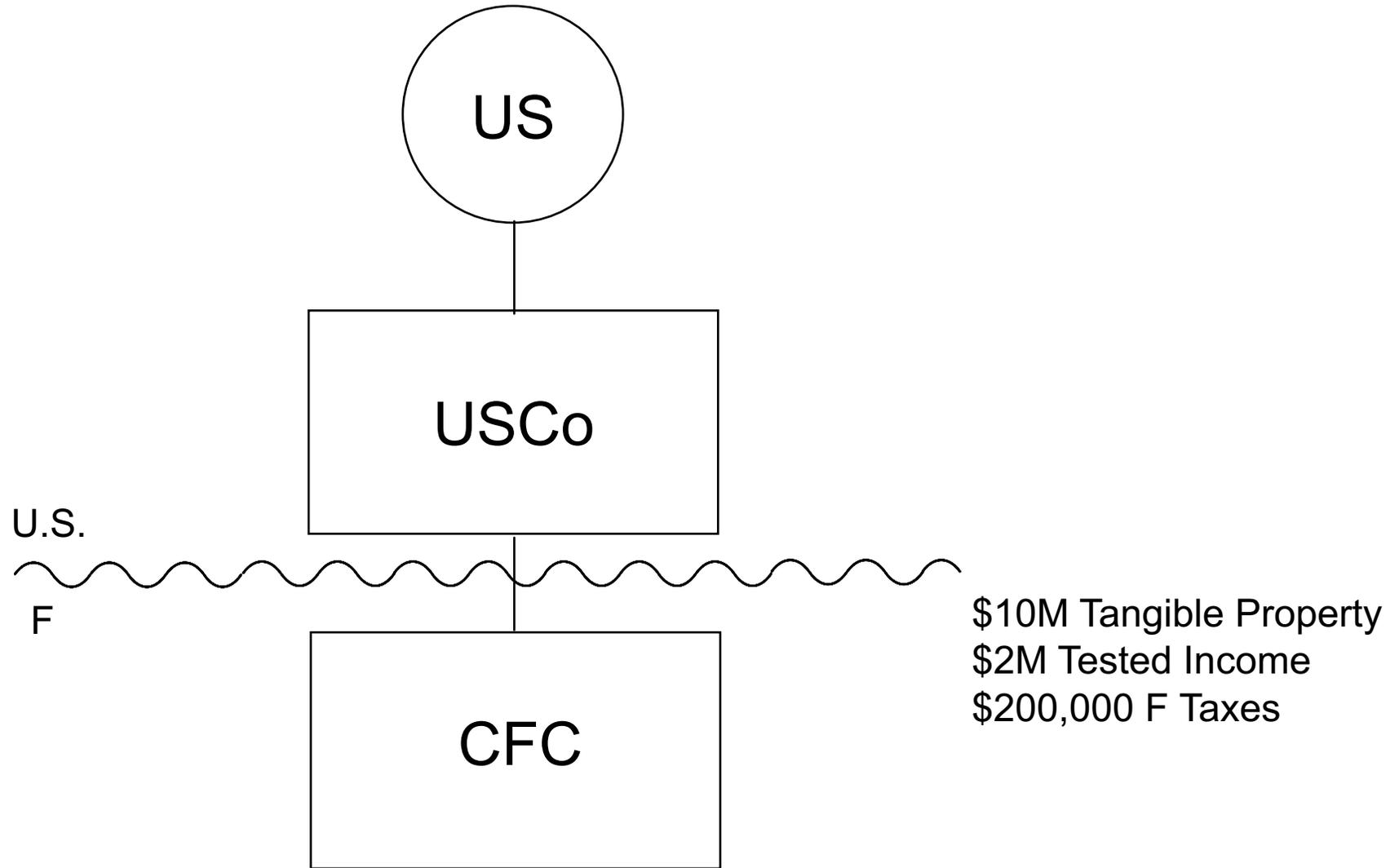
- Subpart F income
- High-Taxed income
- Foreign Oil + Gas extraction income
- Related dividends from a same-country payor

The Regimes' Foreign Tax Credit

- 80% for GILTI
- 90% for NCTI

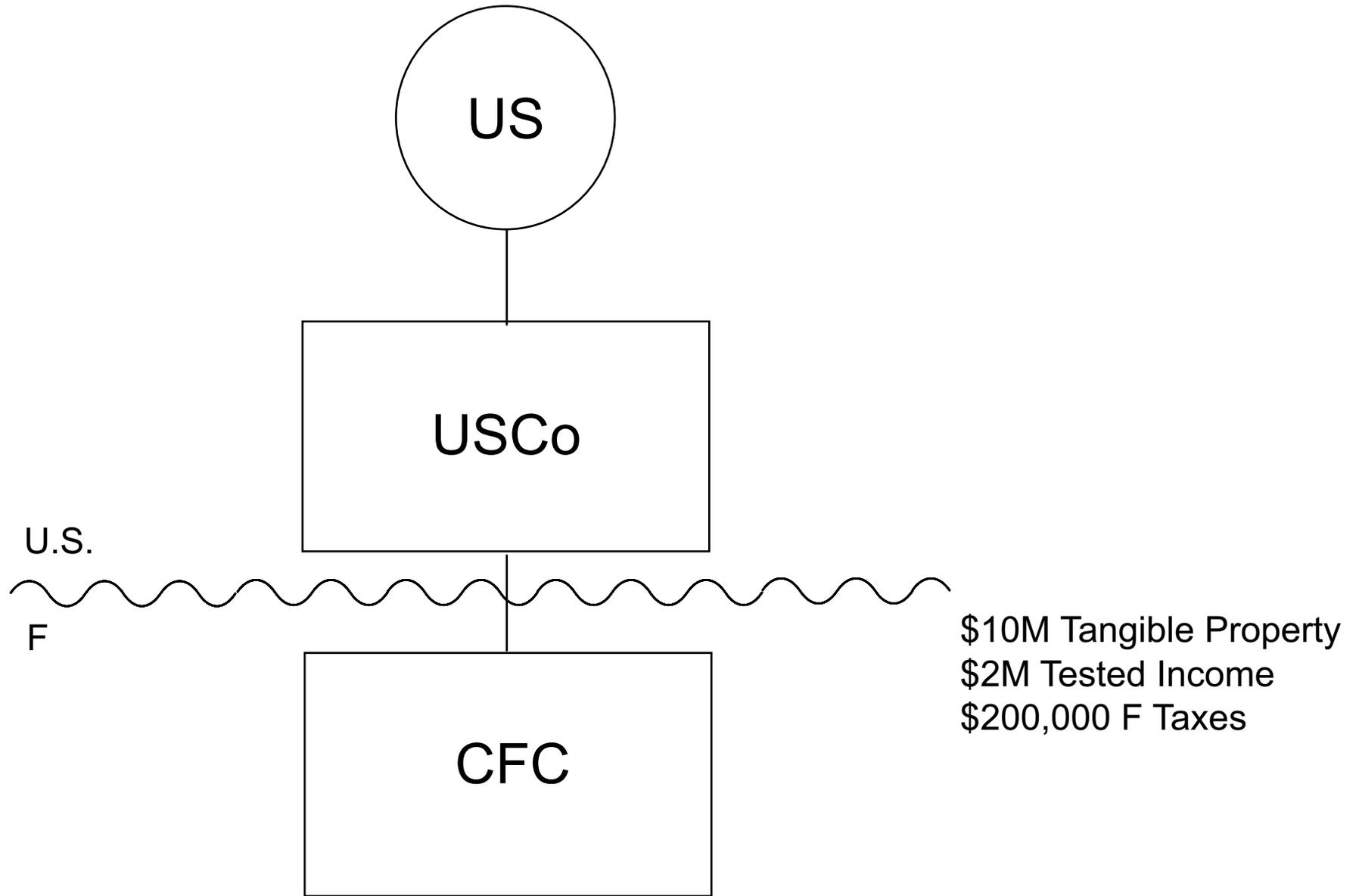
Example 3: GILTI with 80% FTC

U.S. parent wholly owned a CFC with tangible property having a quarterly adjusted basis of \$10 million and \$2 million of tested income. CFC paid foreign income taxes during the year of \$200,000.



Example 4: NCTI with 80% FTC

U.S. parent wholly owns a CFC with tangible property having a quarterly adjusted basis of \$10 million and \$2 million of tested income. CFC pays foreign income taxes during the year of \$200,000.

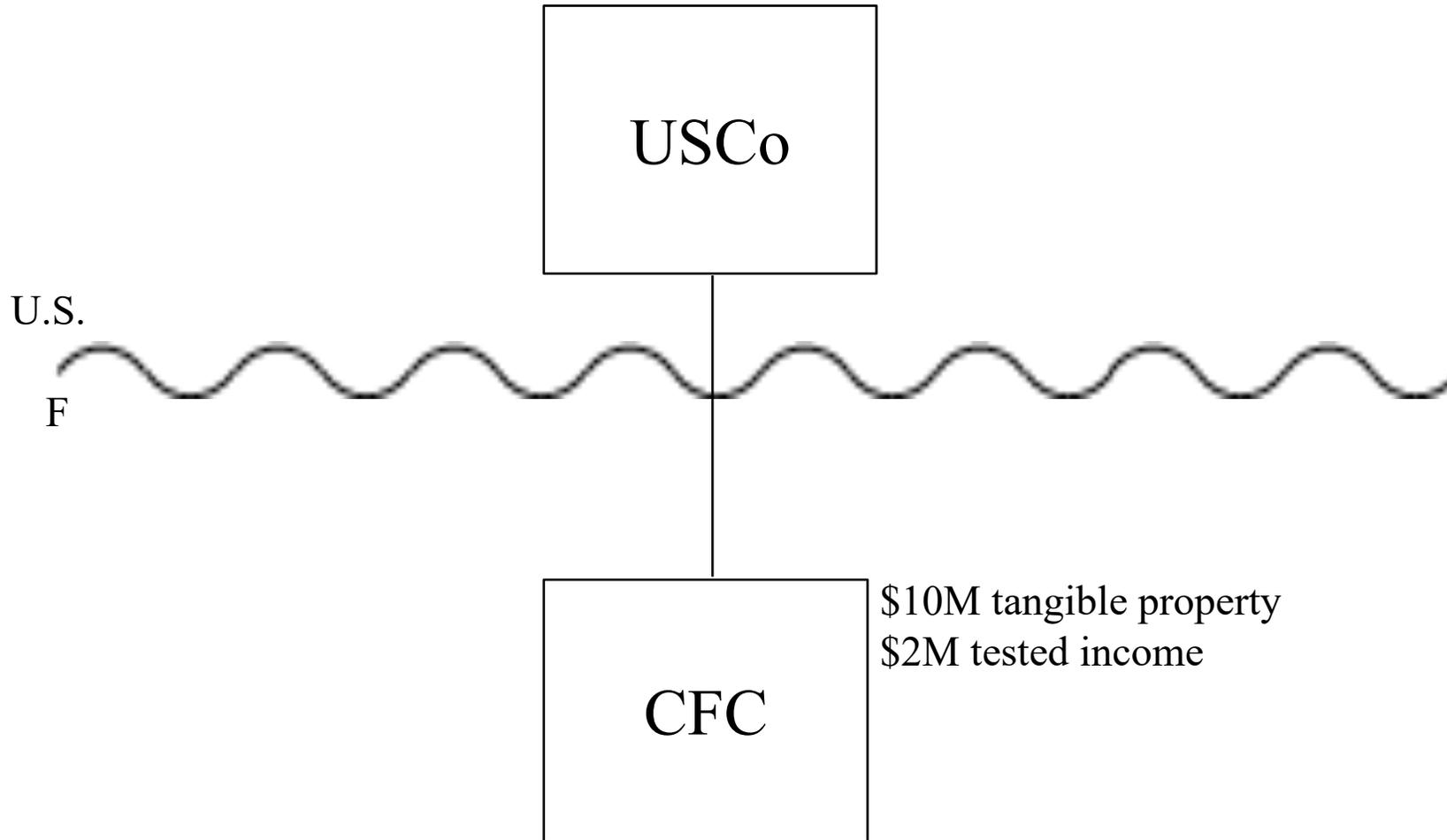


The Regimes' Deduction

- 50% for GILTI
- 40% for NCTI

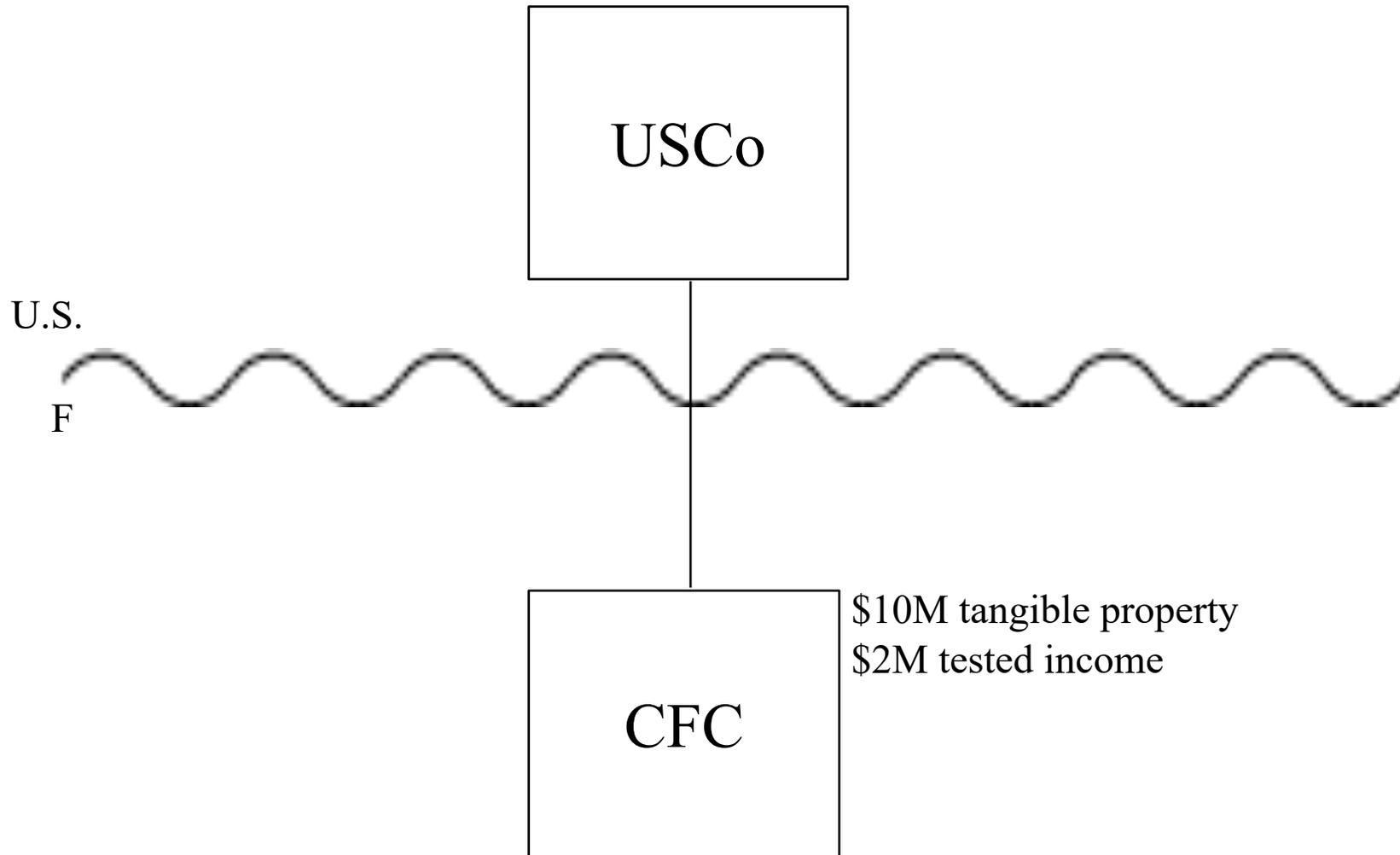
Example 5: GILTI with 50% Deduction

USCo owned CFC that owned \$10 million of tangible property and earned \$2 million of tested income. Although the Net CFC Tested Income of \$2 million less 10% of the \$10 million of QBAI was \$1 million, the 50% deduction reduced the GILTI inclusion to \$500,000.



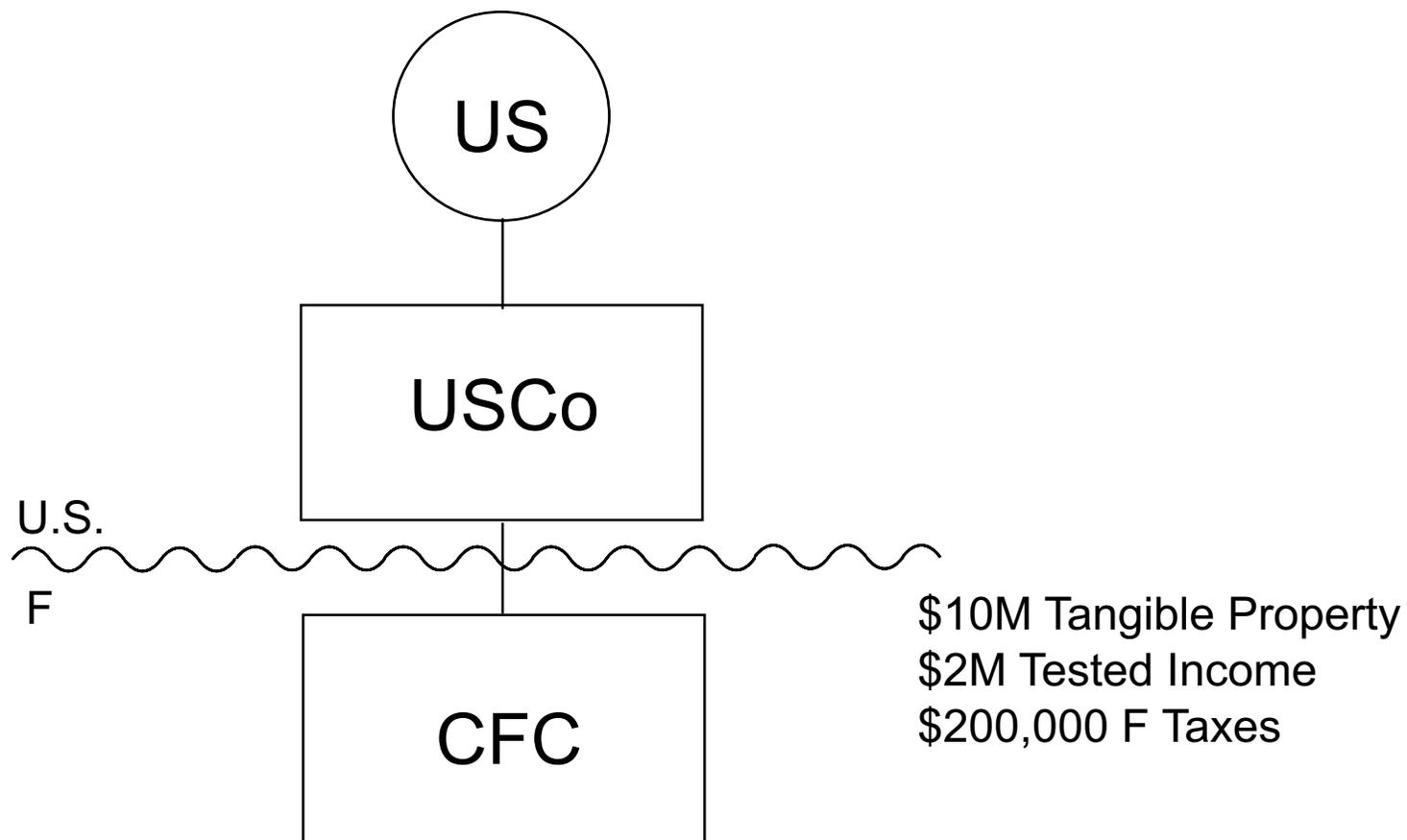
Example 6: NCTI with 40% Deduction

USCo owns CFC that owns \$10 million of tangible property and earns \$2 million of tested income. The Net CFC Tested Income is \$2 million, which the 40% deduction reduces to \$1.2 million.



Example 7: Comprehensive NCTI Example

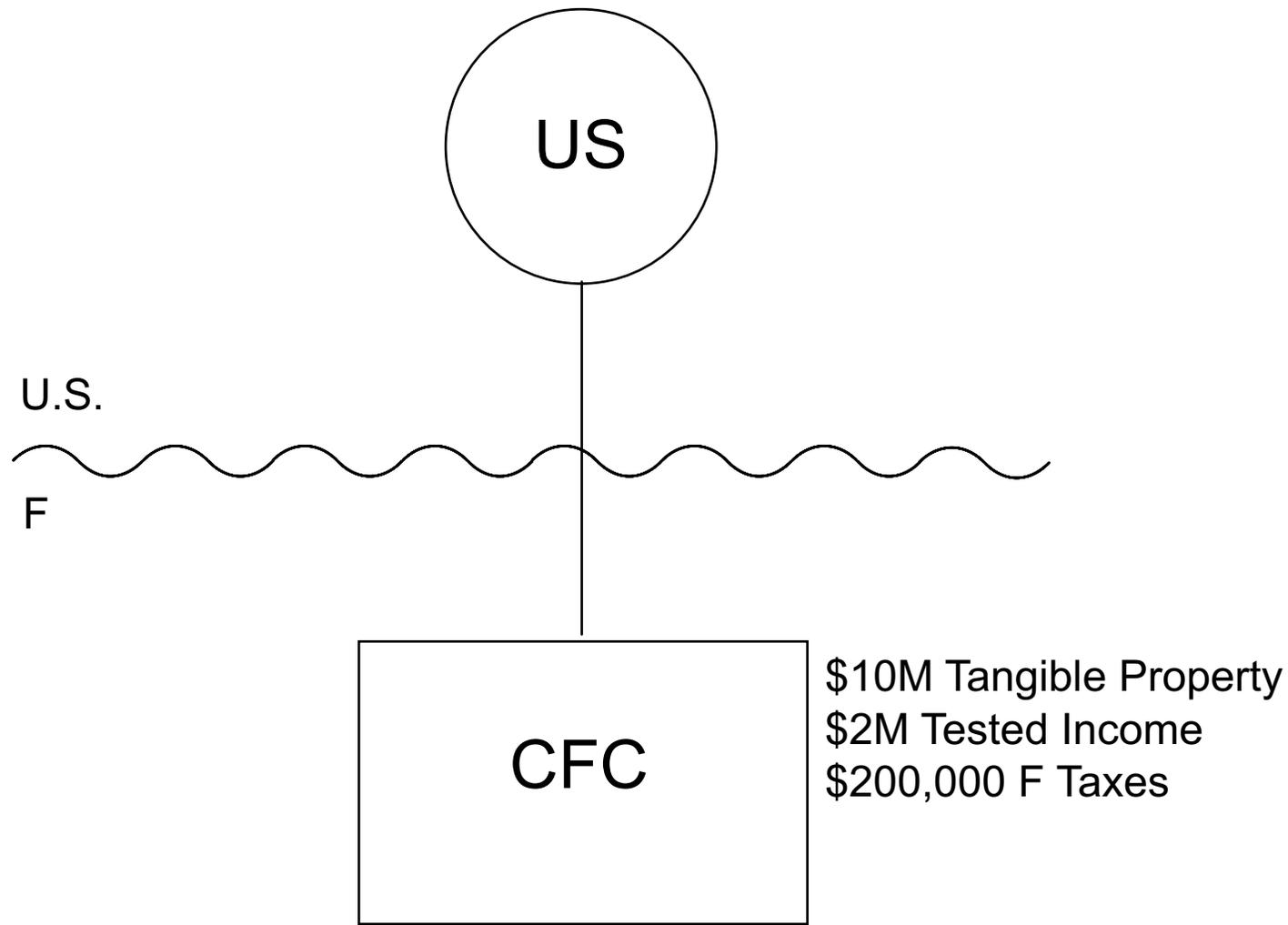
U.S. individual owns USCo, a C corporation that owns a CFC. The CFC earns \$2 million of tested income, and pays \$200,000 of foreign income taxes. The tested income is \$2 million, which is computed without any QBAI. All \$200,000 of foreign income taxes paid are attributable to tested income and grosses up the tested income, even though the foreign tax credit will only be 90% of the \$200,000 for \$180,000. The final U.S. tax will be \$97,000, which is 21% of \$1.32 million of Net CFC Tested Income (the sum of the \$2 million tested income plus the \$200,000 gross-up before the 40% deduction) for \$277,000 less the \$180,000 foreign tax credit.



Tested Income = \$2M
 Gross-Up = \$200,000
 FTC = \$180,000
 Tax = 21% of [60% of (\$2M + \$200,000)] - \$180,000
 = \$97,000

Example 8: NCTI for Individuals

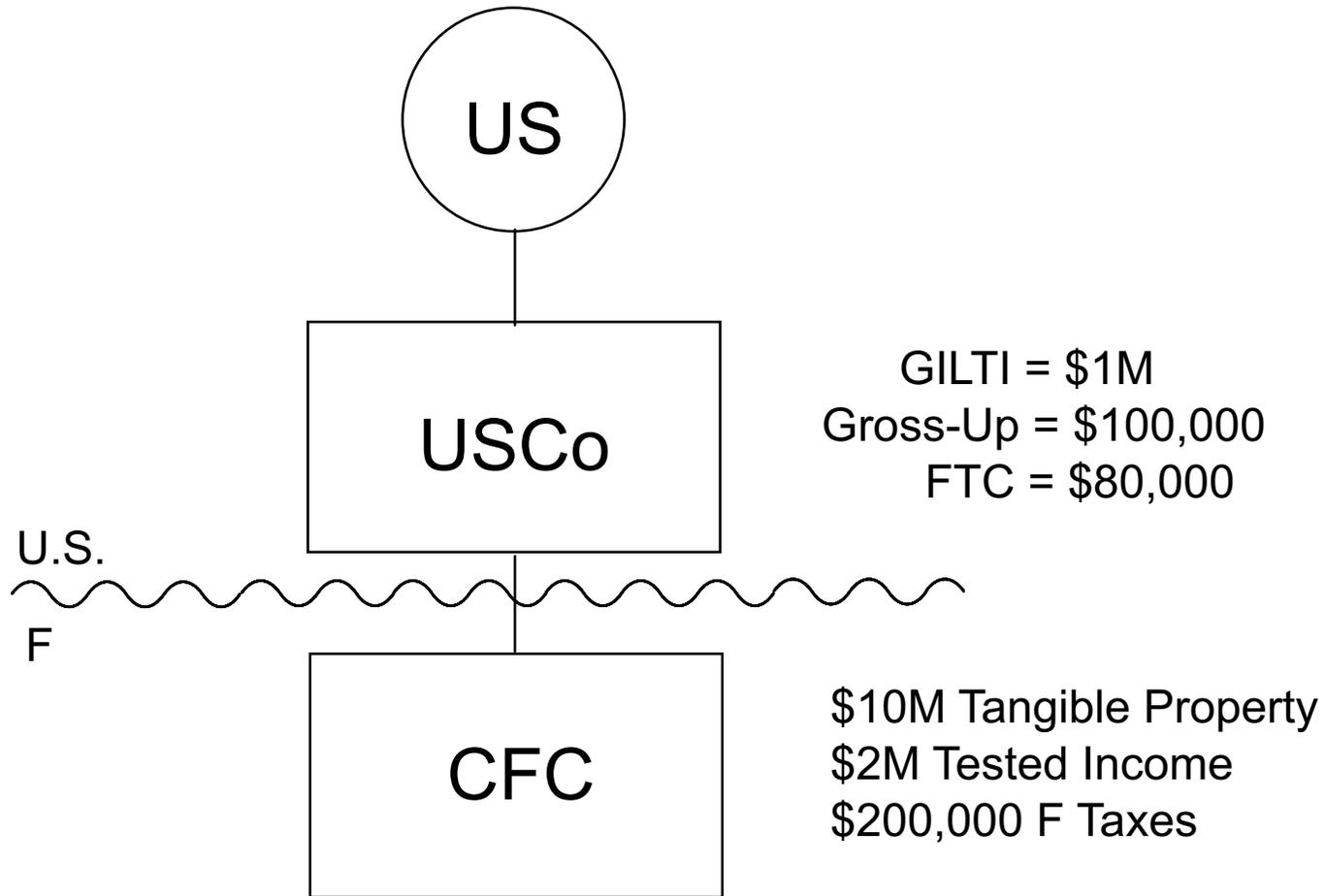
U.S. individual owns a CFC that owns \$10 million of tangible property, earns \$2 million of tested income, and pays \$200,000 of foreign income taxes. The Net CFC Tested Income regime results in an inclusion of \$2 million. The tax on that \$2 million inclusion at the U.S. individual's marginal rate of 37% will be \$740,000. U.S. individual is not entitled to the benefit of either the foreign tax credit or the 40% deduction.



Tested Income = \$2M
Tax = 37% of \$2M = \$740,000

Example 9: NCTI Planning for Individuals

U.S. individual contributes her shares in a CFC to a U.S. C corporation. The CFC earns \$2 million of tested income, owns \$10 million of tangible property, and pays \$200,000 of foreign income taxes. As in Example 7, the tax to USCo on the Net CFC Tested Income will be \$187,000. CFC distributes the \$2 million of net CFC tested income as previously taxed income to USCo. If the U.S. individual wants the after-tax cash of \$1,903,000, USCo must make a distribution, which is a qualified dividend incurring tax at a rate of 23.8% for approximately \$453,000. The total tax of \$550,000 (\$97,000 plus \$453,000) is \$190,000 less than the \$740,000 that U.S. individual would have paid in Example 8 without the U.S. C corporation.

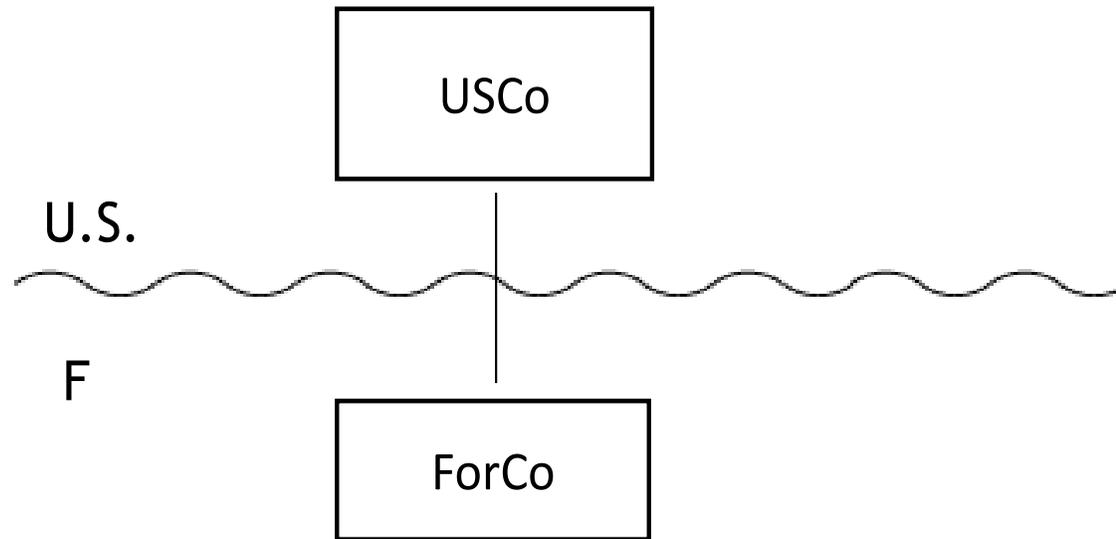


Corp Tax = 21% of [60% of \$2M + \$200,000] - \$180,000
= \$97,000

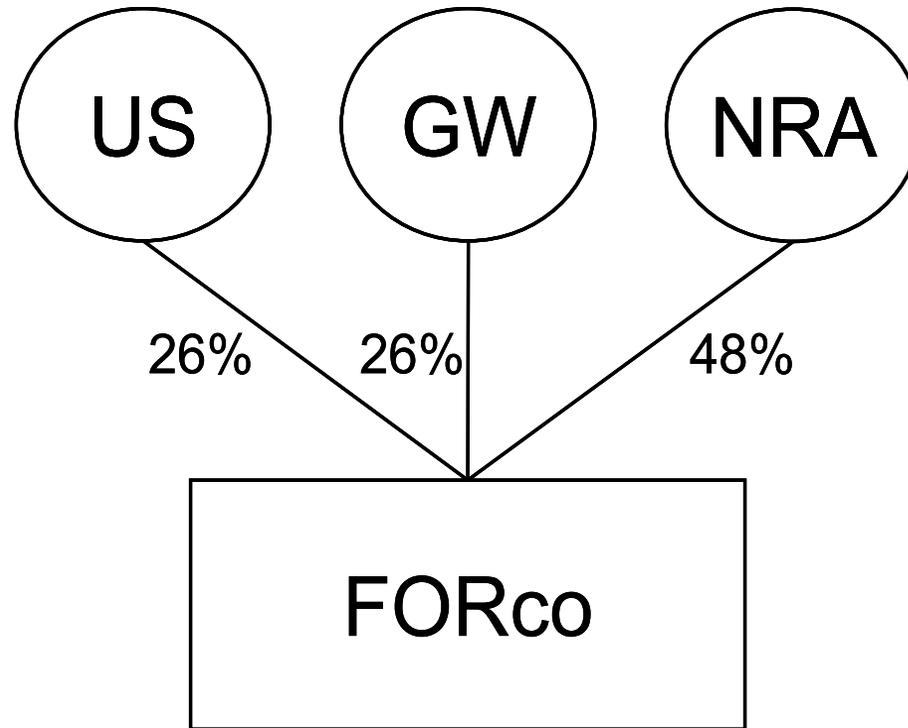
Distribution of \$1,903,000

Individual Tax = 23.8% of \$1,813,000
= \$4,315,000

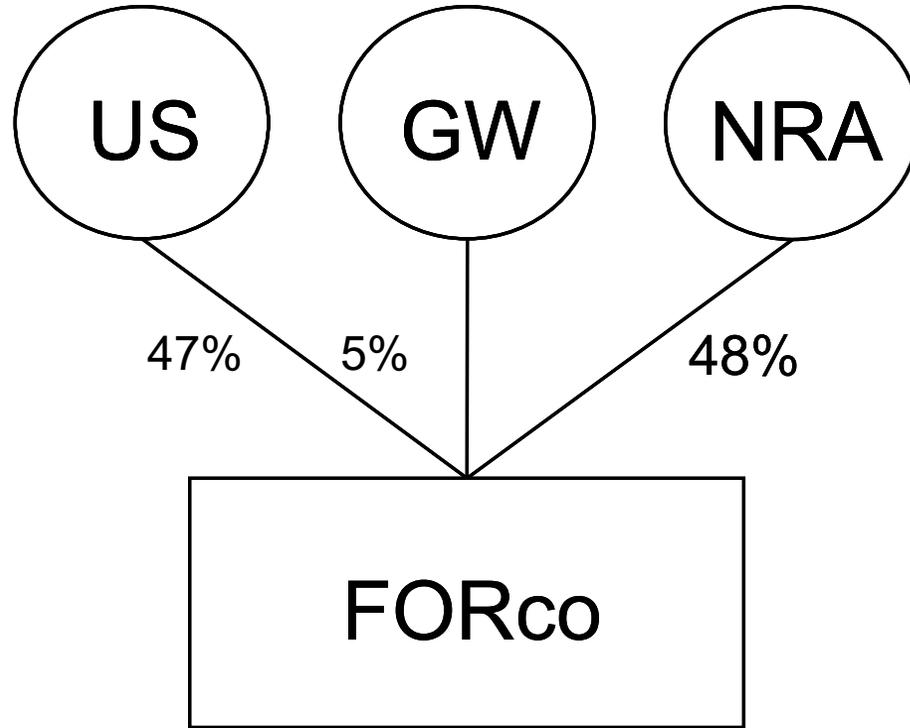
NCTI Only Applies to A CFC



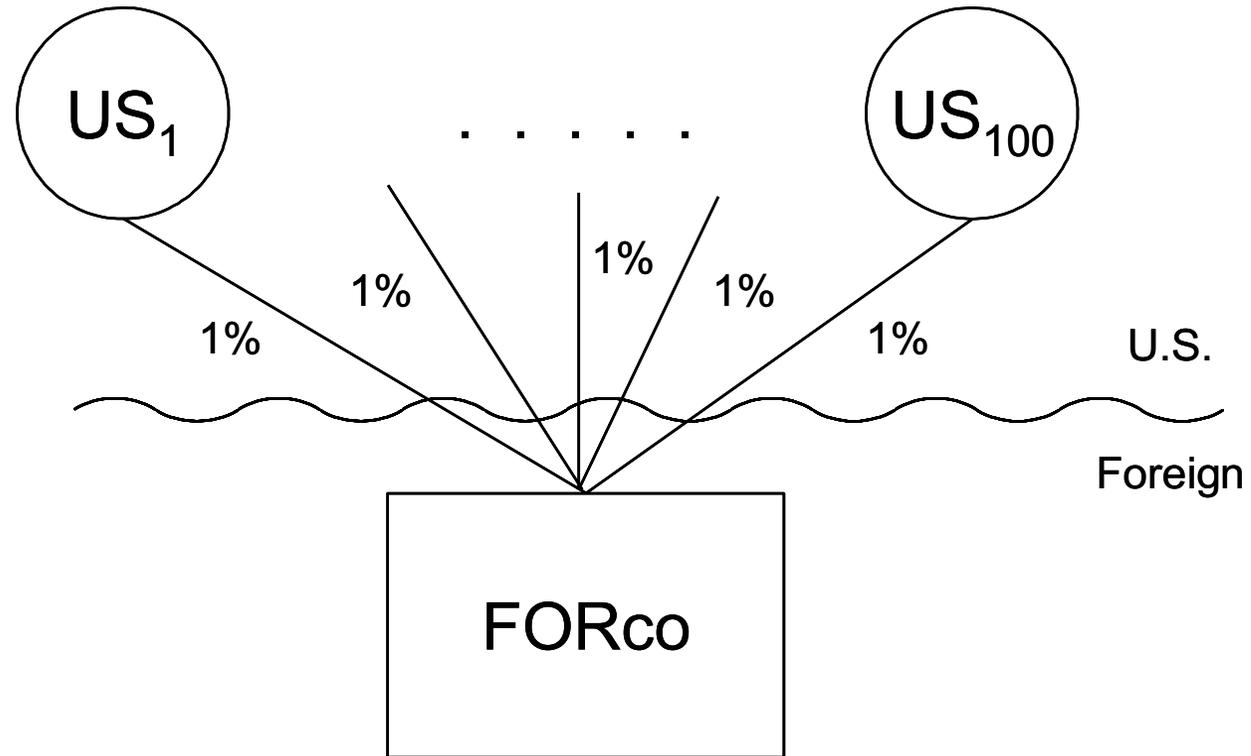
Only Count 10% U.S. Shareholders For A CFC



Not A CFC



Not A CFC

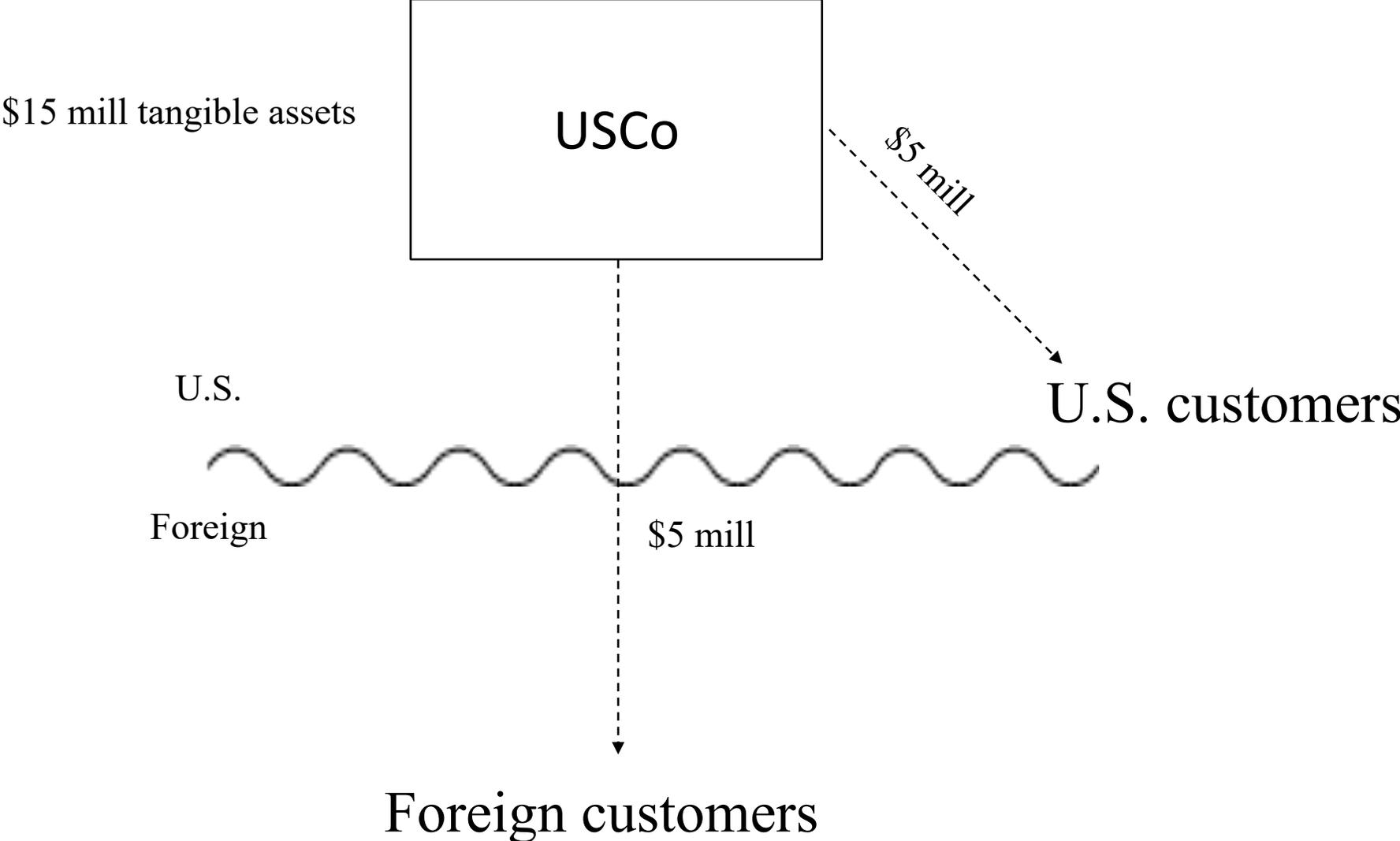


FDII Deduction to the FDDEI Deduction

- The FDII deduction was 37.5% of half of deduction eligible income after 10% of tangible assets
- The FDDEI deduction is 33.34% of Foreign Derived Deduction Eligible Income regardless of tangible assets

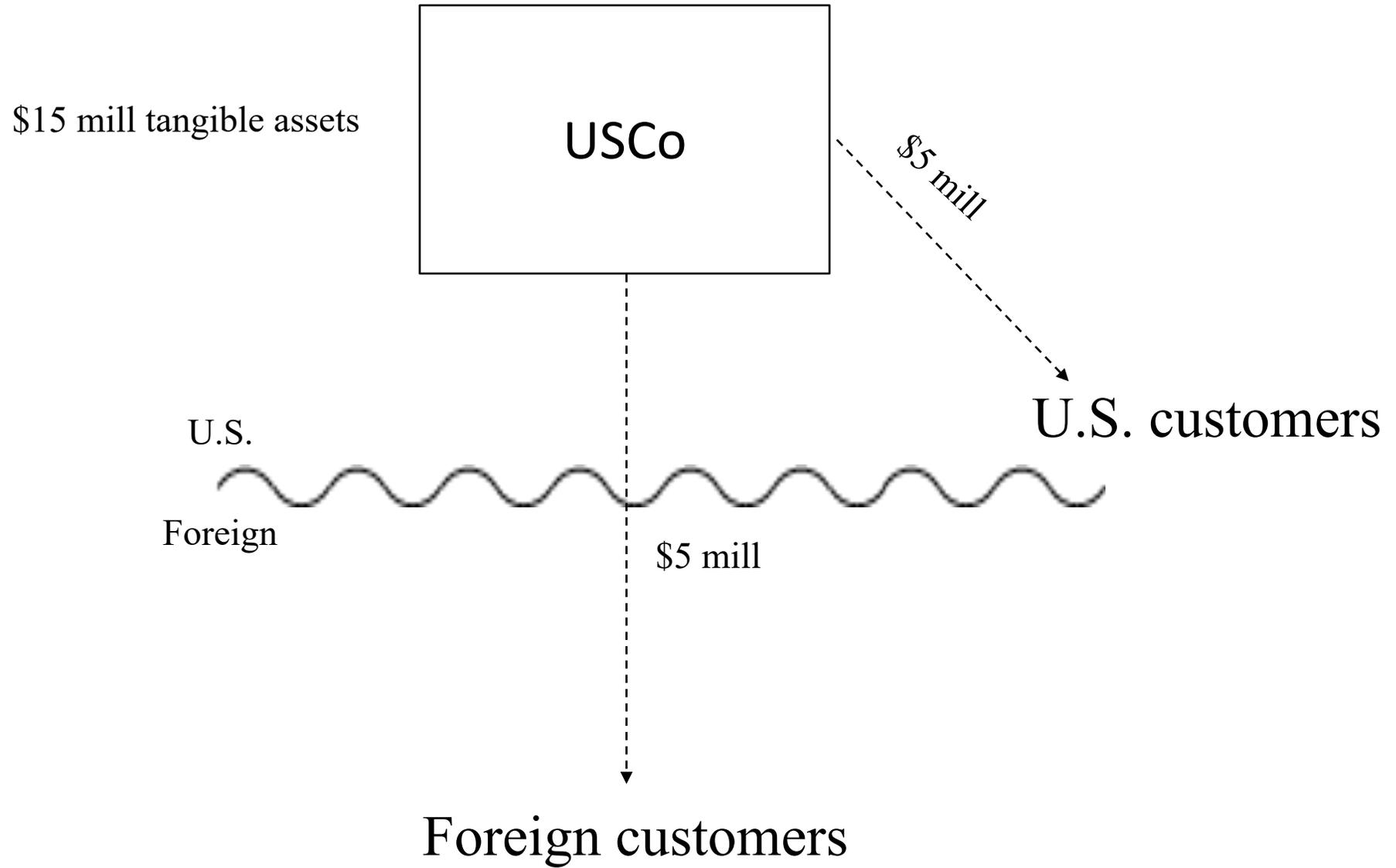
Example 10: The FDII Deduction

USCo, a U.S. C corporation, sold \$10 million of manufactured products (\$5 million domestically and \$5 million abroad) and owned \$15 million of tangible assets. The deemed intangible income was \$8.5 million, which USCo determined as \$10 million of deduction eligible income less 10% of the \$15 million of tangible assets. Because half of the deduction eligible income was earned abroad, half of the \$8.5 million (\$4.25 million) was FDII. The U.S. C corporation could deduct approximately \$1.6 million (37.5% of \$4.25 million).



Example 11: The FDDEI without QBAI

USCo, a U.S. C corporation, sells \$10 million of manufactured products (\$5 million domestically and \$5 million abroad) and owns \$15 million of tangible assets. The deduction eligible income is \$10 million as the amount of tangible assets (QBAI) is irrelevant. Because half of the deduction eligible income is earned abroad, half of the \$10 million (\$5 million) is FDDEI. The U.S. C corporation may take a deduction of approximately \$1.67 million (33.34% of \$5 million).



Deduction Eligible Income

All income from foreign sales, but excludes

- Subpart F income
- Net CFC Tested Income
- Financial Service Income
- Domestic Oil + Gas Extraction Income
- Foreign Branch Income
- Income Received from a CFC

Foreign Tax Credit Limitation

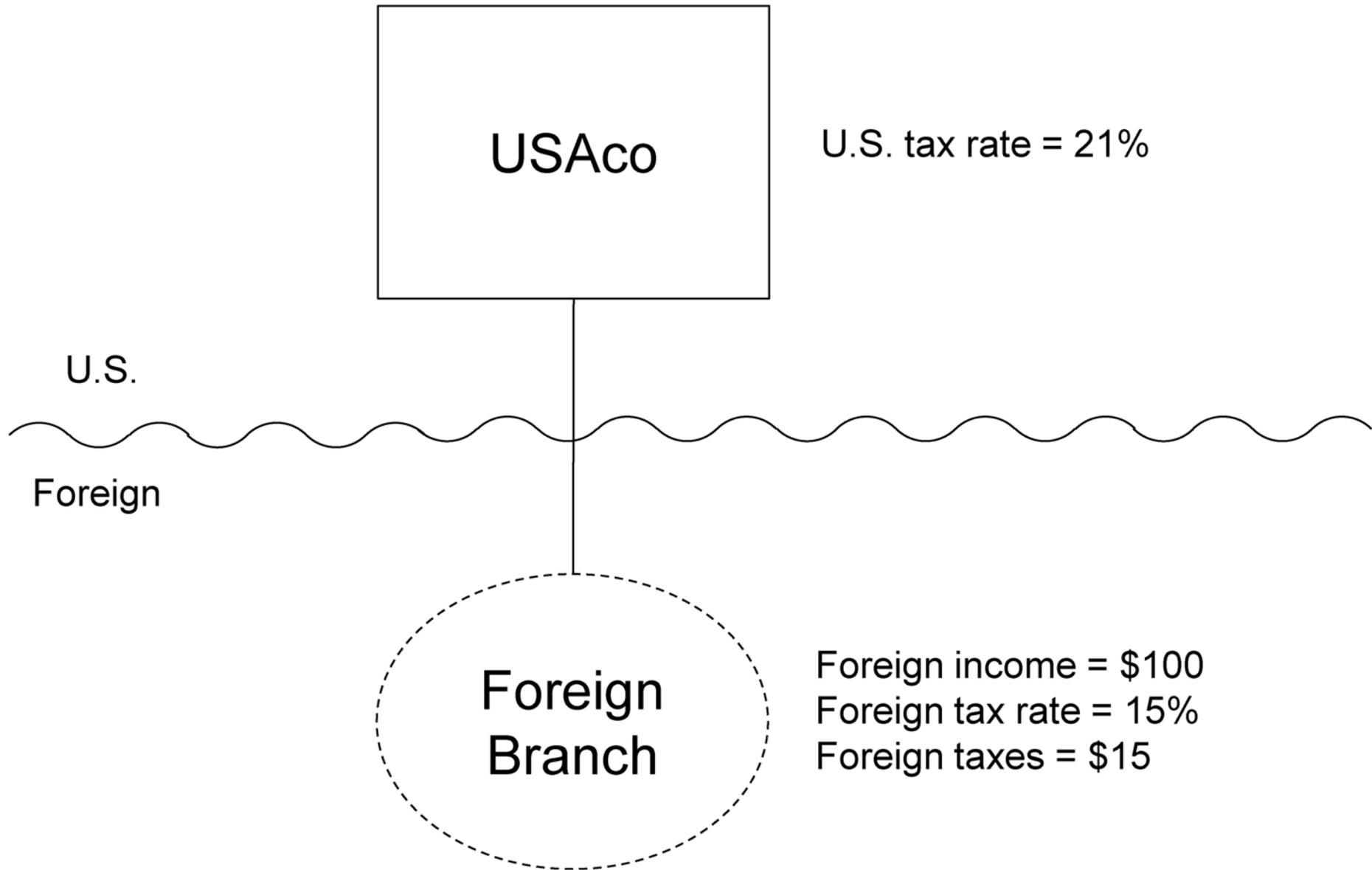
- The foreign tax credit is limited to the U.S. tax on Foreign-Source Income
- Foreign-Source Income is determined by Code Sections 861 through 865
- A foreign country taxing an item of income rarely determines whether the income is Foreign-Source Income

Foreign Tax Credit Limitation

$$\text{Foreign tax credit limitation} = \text{Pre-credit U.S. tax on worldwide income} \times \frac{\text{Foreign-source income}}{\text{Worldwide income}}$$

Example 12: Welcome Back Credits

USACO, a U.S. corporation, has taxable income of \$100, all of which is attributable to a foreign branch operation and subject to foreign tax. Assume that the foreign tax rate is 15% and the U.S. tax rate is 21%.



Case 1—The \$100 of Income Is U.S.-Source Income

If USAco's foreign branch earns \$100 of U.S.-source income that incurs foreign tax at a 15% rate (even though all the income is U.S.-source income), USAco cannot claim a credit for any of the \$15 of foreign taxes paid, as follows.

<i>Foreign tax return</i>	
Taxable income.....	\$100
Tax rate.....	×.15
Foreign tax	<u>\$15</u>
<i>U.S. tax return</i>	
Taxable income.....	\$100
Tax rate.....	×.21
Pre-credit U.S. tax	<u>\$ 21</u>
Foreign-source income	\$100
Pre-credit U.S. tax on foreign-source income	<u>\$ 0</u>
Foreign tax credit	<u>\$ 0</u>
Post-credit U.S. tax on worldwide income (\$21 – \$0)	<u>\$ 21</u>

Case 1—The \$100 of Income Is U.S.-Source Income

The total tax burden on USAco's foreign profits is \$36 [\$21 U.S. tax + \$15 foreign tax]. Foreign taxes do represent an incremental tax cost in this case because they are on U.S.-source income.

Case 2—The \$100 of Income Is Comprised of \$50 of Foreign-Source Income and \$50 of U.S.-Source Income

If USAco's branch earns \$100 of income that incurs foreign tax at a 15% rate, but now \$50 of the income is foreign-source income, the foreign tax credit limitation will equal the U.S. tax of \$10.50 on USAco's \$50 of foreign-source income. Accordingly, the foreign tax credit limitation will allow USAco to claim a credit in the current year for \$10.50 of the \$15 of foreign taxes paid, as follows.

<u>Foreign tax return</u>	
Taxable income.....	\$100
Tax rate.....	×.15
Foreign tax.....	<u>\$15</u>
<u>U.S. tax return</u>	
Taxable income.....	\$100
Tax rate.....	×.21
Pre-credit U.S. tax.....	<u>\$ 21</u>
Pre-credit U.S. tax on foreign source income.....	<u>\$ 10.50</u>
Foreign tax credit.....	<u>\$ 10.50</u>
Post-credit U.S. tax on worldwide income (\$21 – \$10.50).....	<u>\$ 10.50</u>

Case 2 (continued)—The \$100 of Income Is Comprised of \$50 of Foreign-Source Income and \$50 of U.S.-Source Income

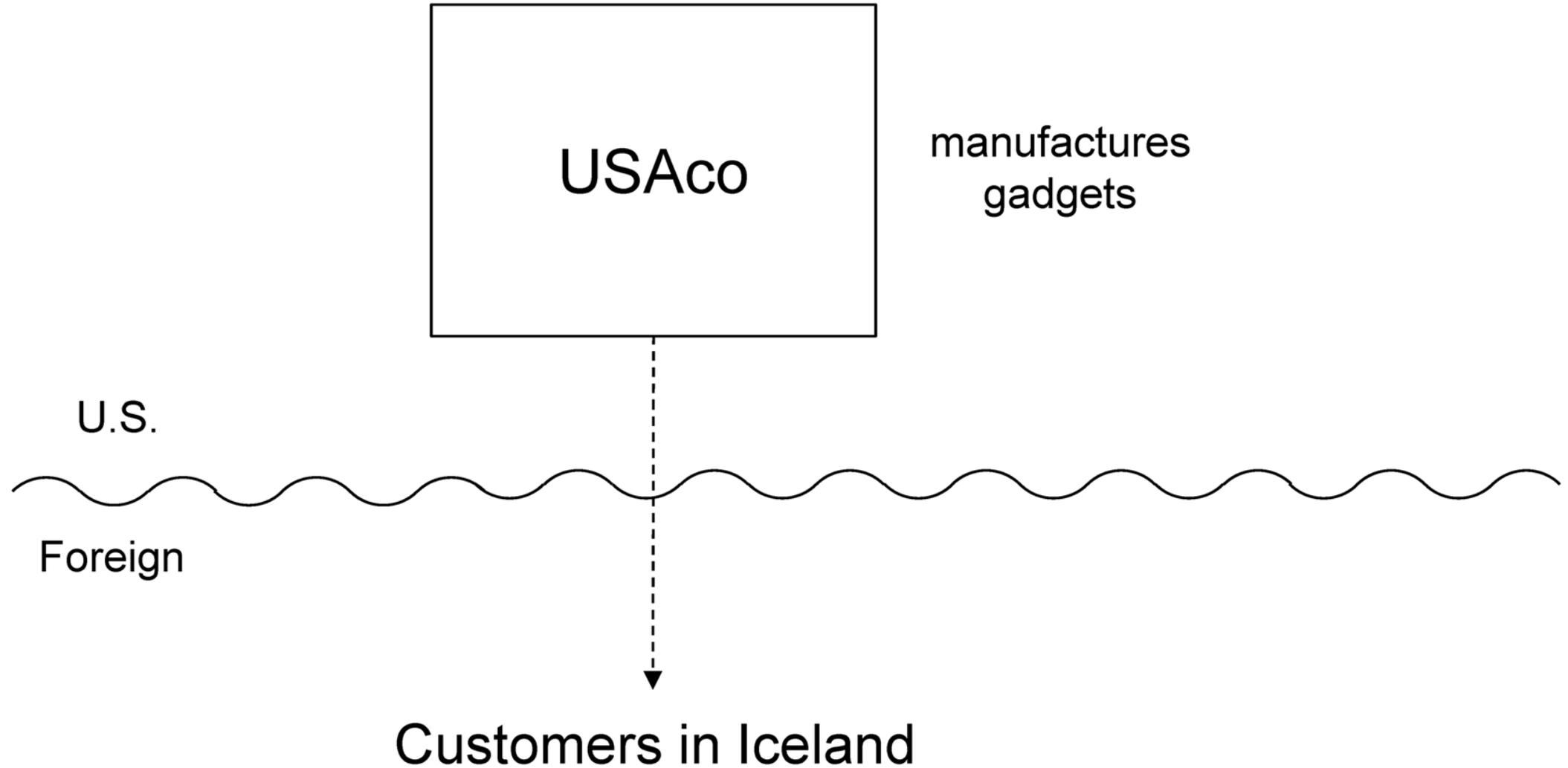
Foreign taxes now decrease the current-year tax burden on USAco's foreign profits from \$36 to \$25.50. This is the result of the sourcing rules characterizing half the income as foreign-source and half as U.S.-source.

Income Sourcing for U.S. Manufacturers

- Pre-2018: Half by location of manufacturing assets; Half by location of title passage
- 2018-2025: All sourced by the location of manufacturing
- Post-2025: Source by location of manufacturing, but half is foreign-source income if a foreign office materially participates

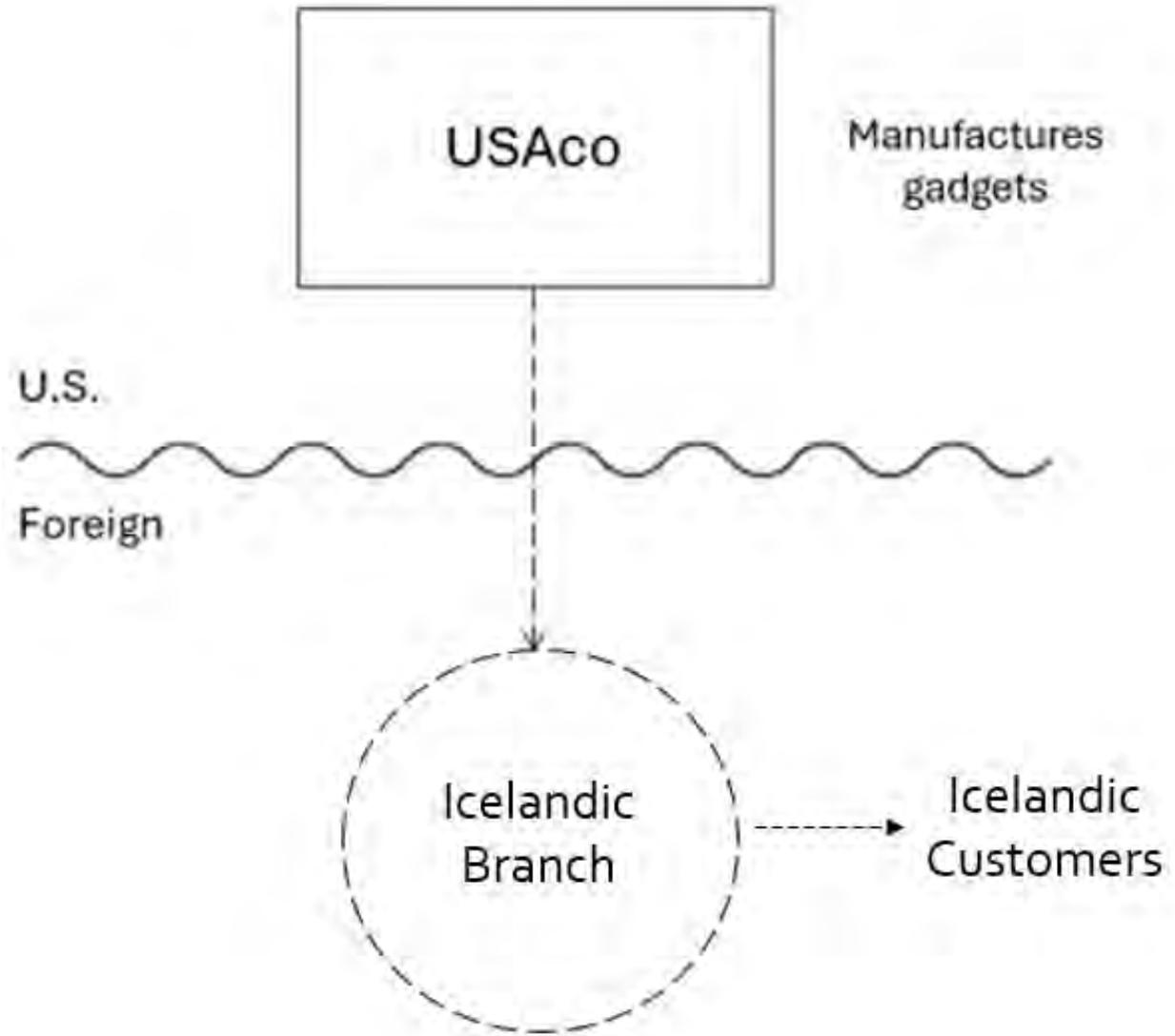
Example 13: No FTC for U.S. Manufacturer

USAco, a U.S. corporation, produced gadgets at its plant in Sheboygan, Wisconsin that USAco sold to customers in Iceland. Because the gadgets constituted inventory produced in the United States by USAco, the income from the sales was U.S.-source income. If USAco paid foreign income tax on the sale, none of the tax would have been creditable because there would not be any foreign-source income.



Example 14: FTC for U.S. Manufacturer with a Foreign Office

USAco, a U.S. corporation, produces gadgets at its plant in Sheboygan, Wisconsin that USAco sells to customers in Iceland through its Icelandic branch. Because the gadgets constitute inventory produced in the United States by USAco and sold via the Icelandic branch, the income from the sales is half foreign-source regardless of whether the Icelandic branch pays any Icelandic tax.



Example 15: No FTC for a U.S. Manufacturer without a Foreign Office

USAcO, a U.S. corporation, produced gadgets at its plant in Sheboygan, Wisconsin that USAcO sells directly to customers in Iceland, without an Icelandic branch. Because the gadgets constitute inventory produced in the United States by USAcO, the income from the sales is all U.S.-source income. If USAcO pays foreign income tax on the sale, none of the tax would be creditable because there would not be any foreign-source income.



manufactures
gadgets

U.S.



Foreign



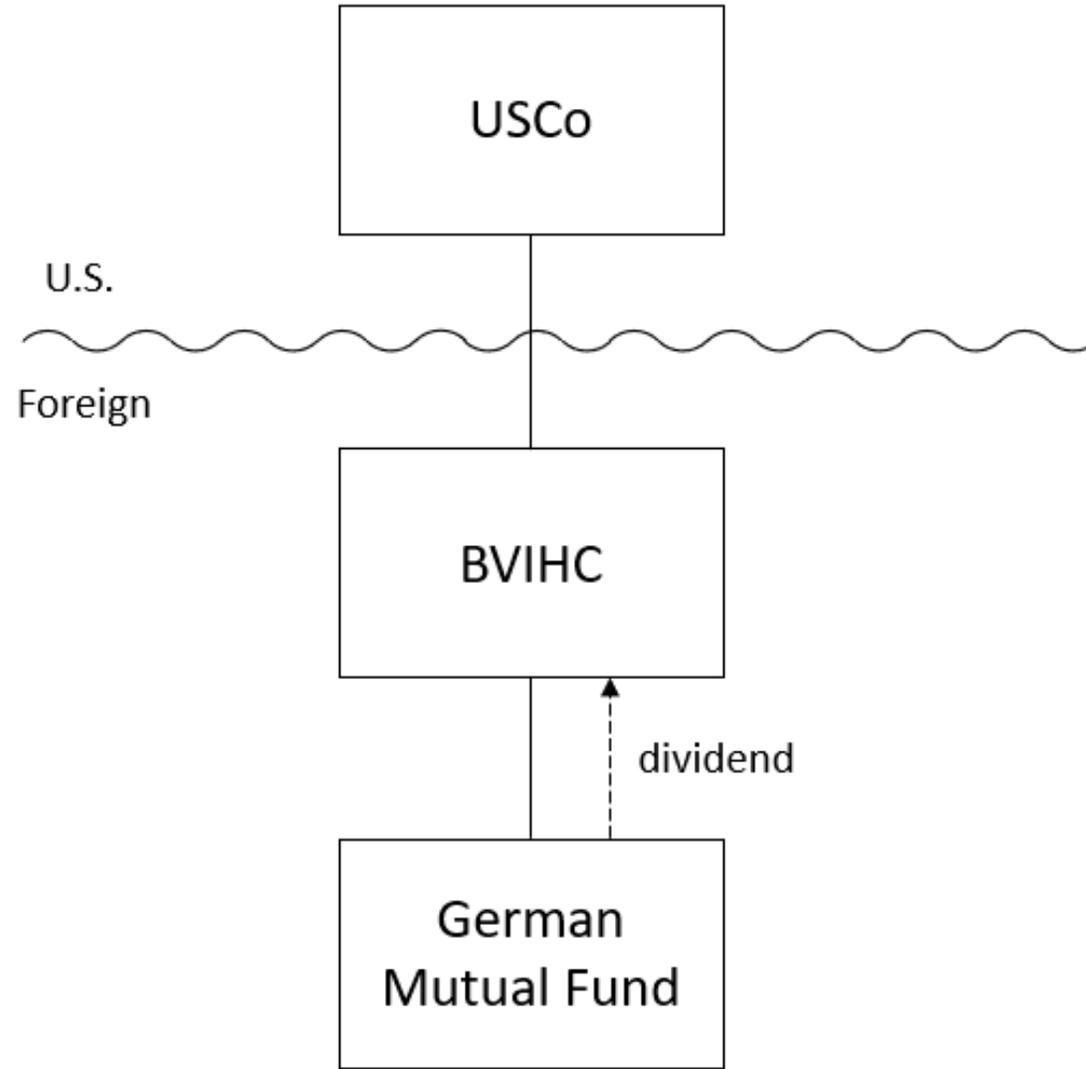
Customers in Iceland

Subpart F Income Permanence

- A CFC is a foreign corporation controlled by U.S. Persons, each of whom owns at least 10%
- Subpart F income includes Foreign Personal Holding Company Income, which includes passive income dividends, interest, rents, and royalties
- The “temporary” exception for passive income attributable to active foreign business income

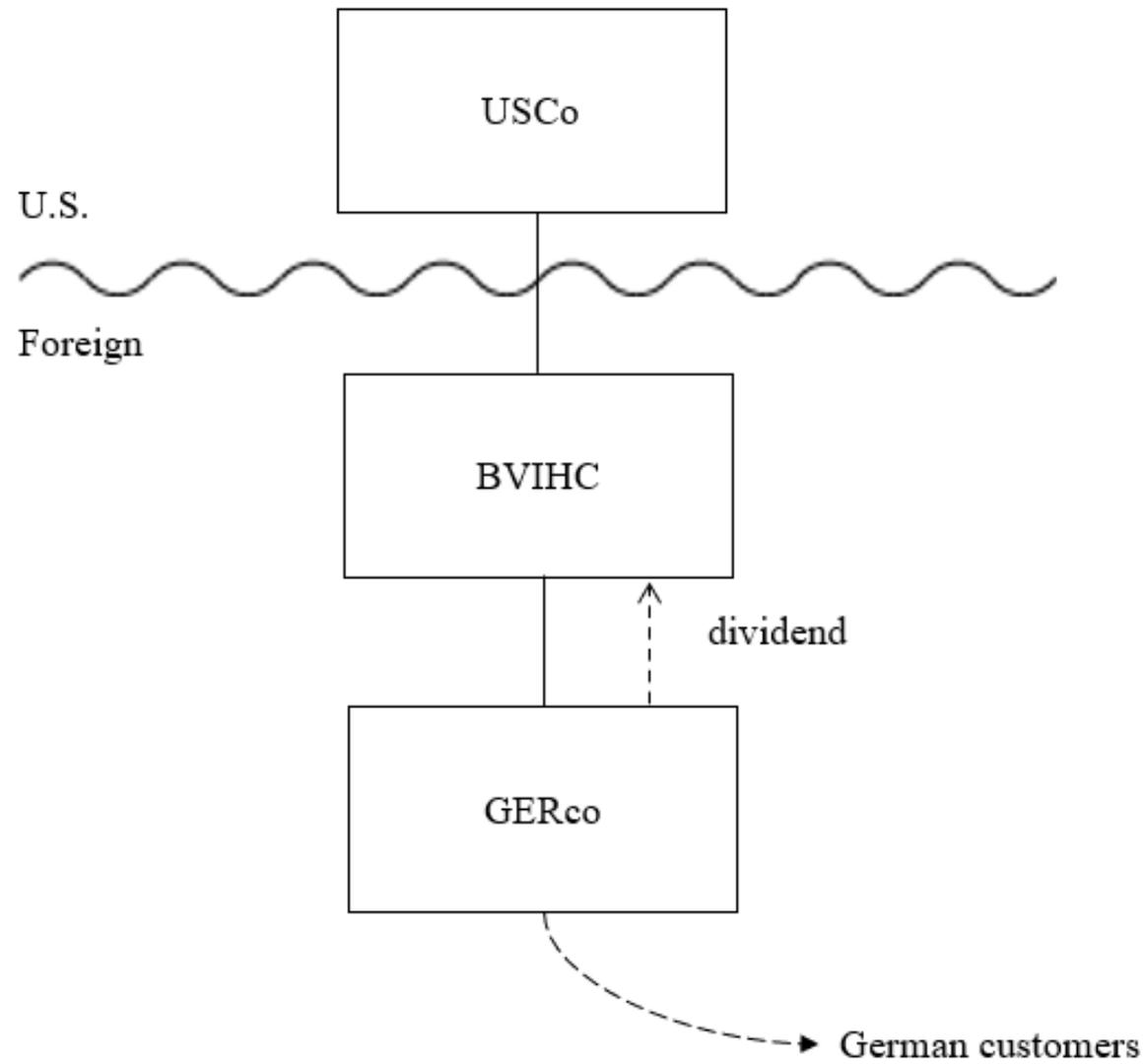
Example 16: Foreign Personal Holding Company Income Is Subpart F Income

USCo wholly-owns a holding company in the British Virgin Islands (“BVIHC”), which invests in a German Mutual Funds whose investments constitute interest from portfolio debt instruments. GERco pays a dividend to BVIHC that is Foreign Personal Holding Company Income.



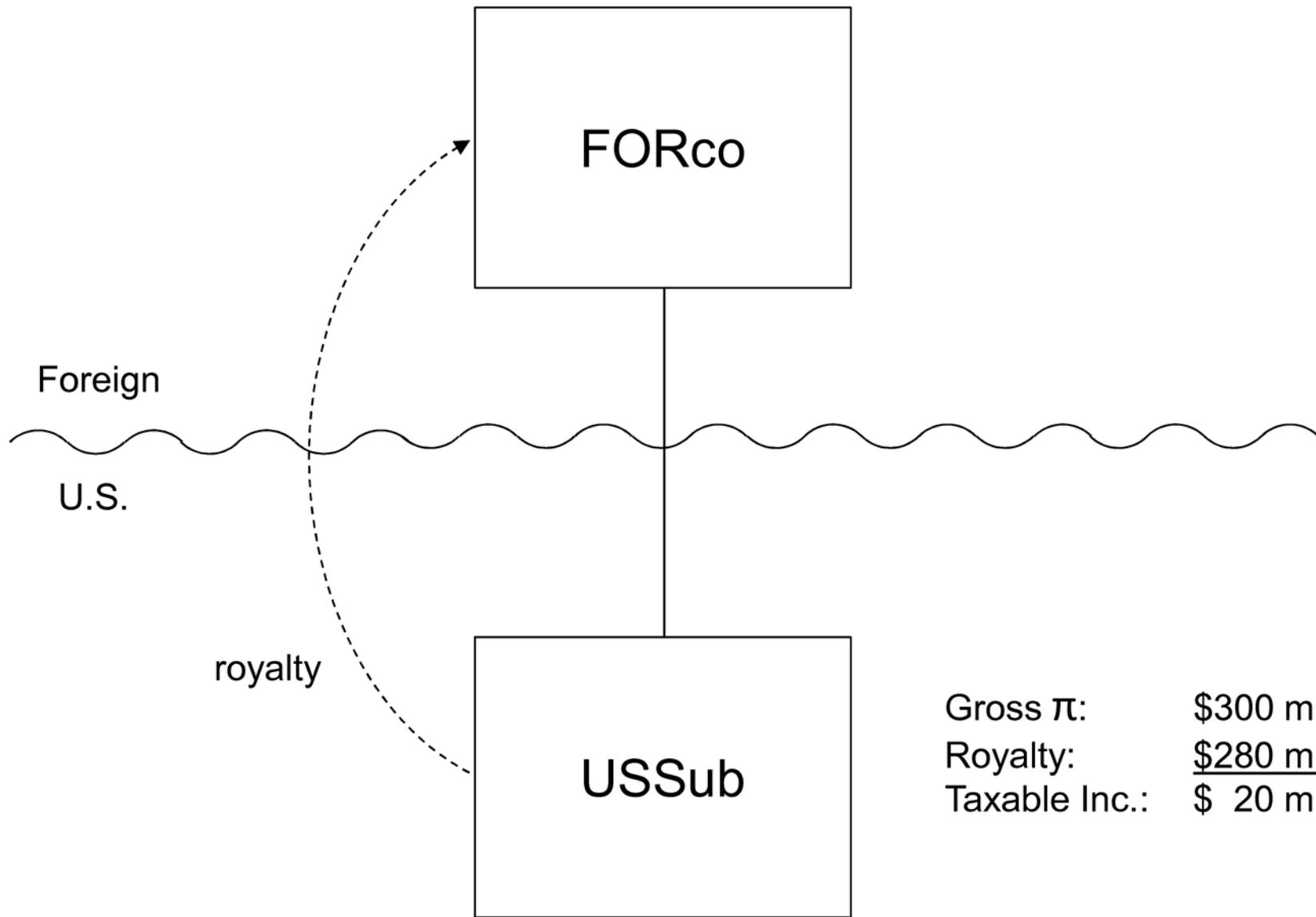
Example 17: Foreign Personal Holding Company Exception for Active Business

USCo wholly-owns a holding company in the British Virgin Islands (“BVIHC”), which wholly-owns a German operating company (“GERco”). GERco manufactures and distributes widgets to German customers. GERco pays a dividend to BVIHC. Because all of GERco’s income is active income, the dividend GERco pays to BVIHC is not Foreign Personal Holding Company Income.



Example 18: We Need the BEAT

FORco, a foreign corporation, owns 100% of USSub, a U.S. corporation. On \$300 million of gross profits (from \$600 million of sales), USSub pays and deducts a \$280 million royalty to FORco. The royalty reduces USSub's taxable income to \$20 million, resulting in U.S. tax at a 21% rate for only \$4.2 million.



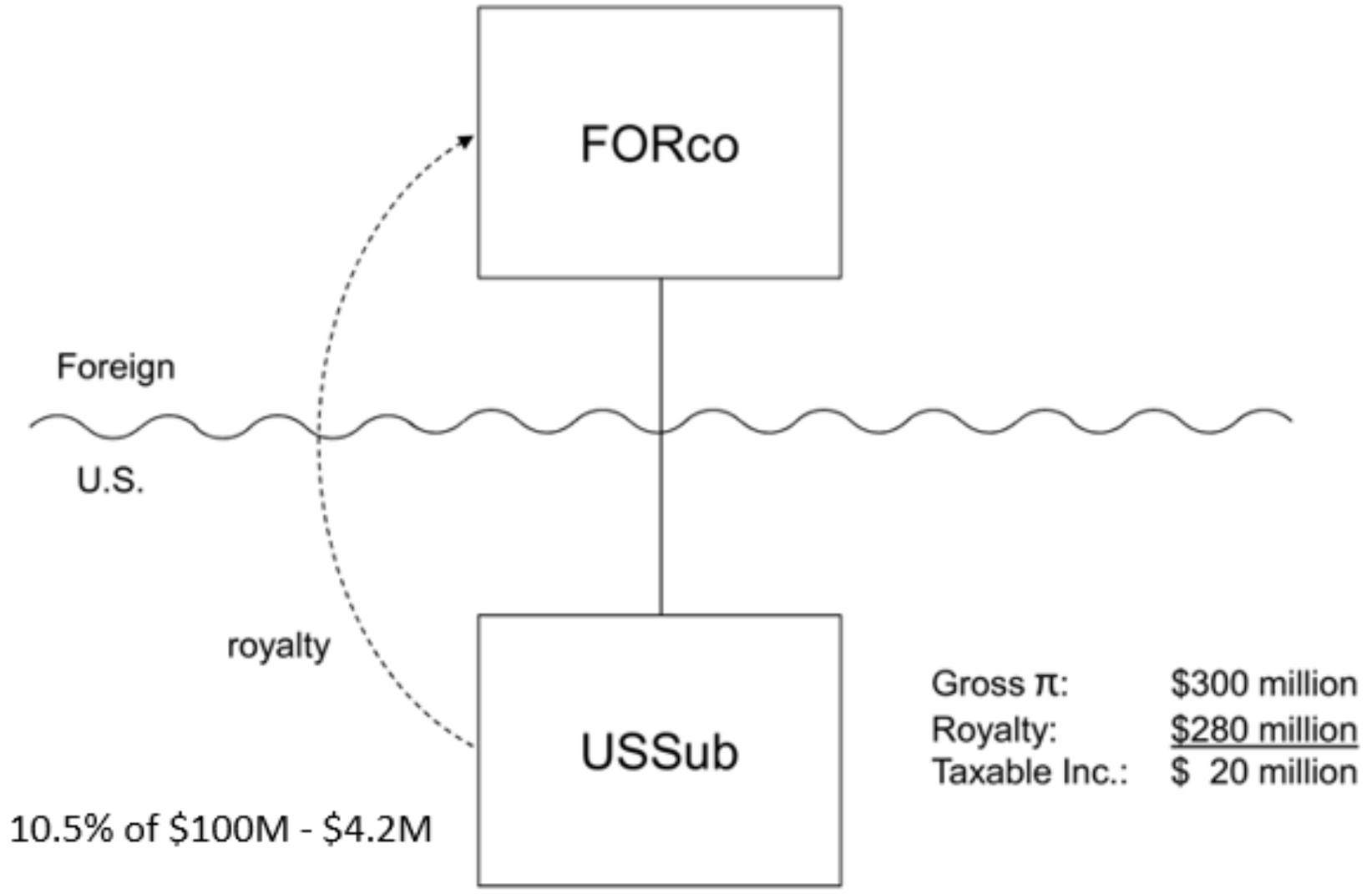
Gross π :	\$300 million
Royalty:	<u>\$280 million</u>
Taxable Inc.:	\$ 20 million

Increasing the BEAT

- Deductible payments by a U.S. subsidiary may erode the U.S. tax base
- BEAT is the BEAT rate times modified taxable income, reduced by the regular U.S. corporate income tax.
- Modified taxable income is taxable income without base erosion payments
- The 10% BEAT rate has increased to 10.5% starting in 2025

Example 19: Increase the BEAT

As in Example 18, FORco wholly owns USSub. After deducting a \$280 million royalty paid to FORco, USSub has \$20 million of taxable income. The regular corporate income tax liability is \$4.2 million (21% of \$20 million). The BEAT is \$25.8 million, computed as 10% of \$300 million (the royalty is not deductible for BEAT purposes) less the regular corporate income tax liability of \$4.2 million. The total U.S. tax is \$30 million (\$25.8 million of BEAT plus \$4.2 million of income tax).



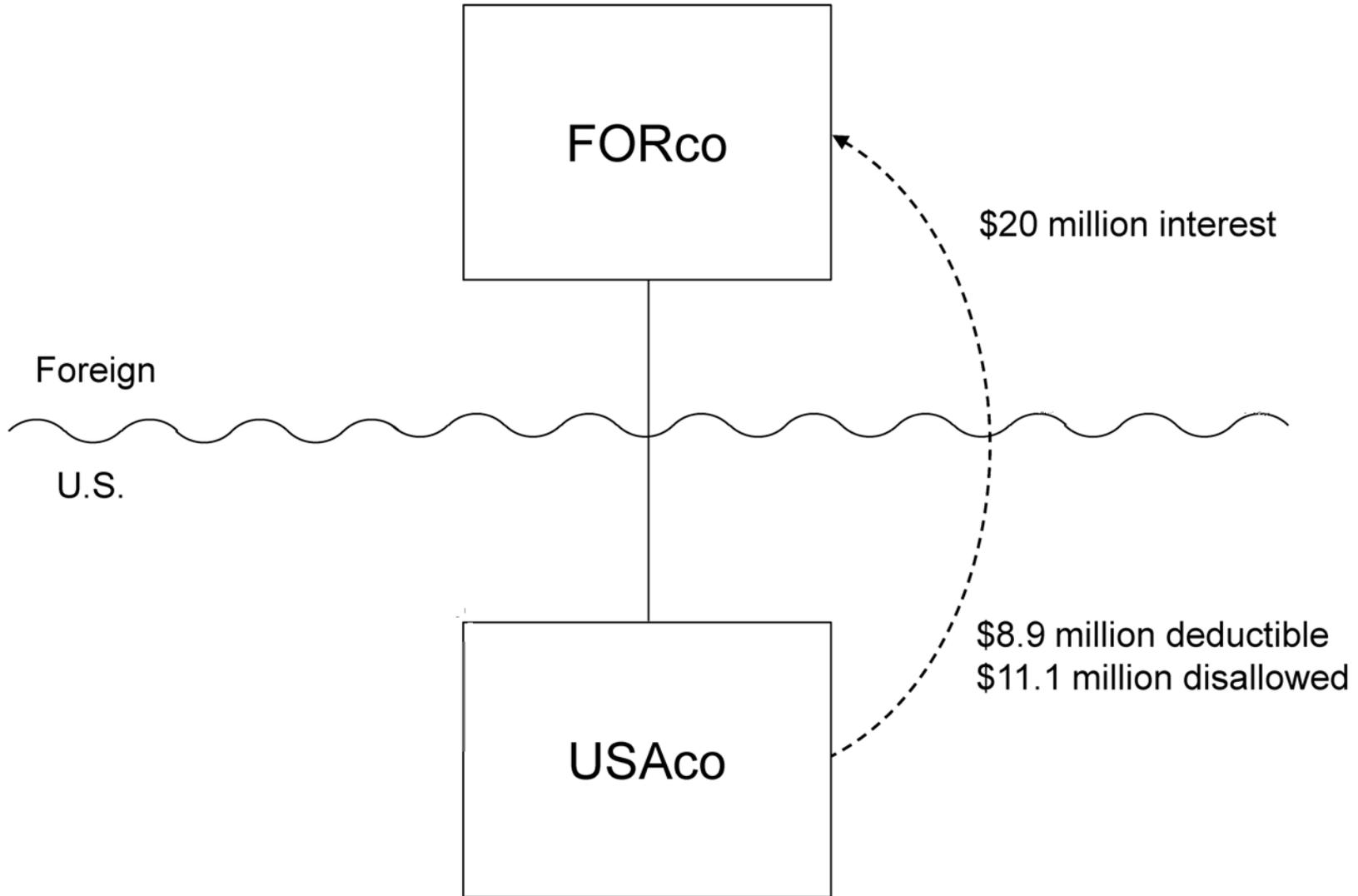
Example 19: Increase the BEAT

The regular corporate income tax liability is \$4.2 million (21% of \$20 million). But with the increase in the BEAT rate to 10.5%, the BEAT is \$27.3 million, computed as 10.5% of \$300 million (the royalty is not deductible for BEAT purposes) for \$31.5 million less the regular corporate income tax liability of \$4.2 million. The total U.S. tax is \$31.5 million (\$27.3 million of BEAT plus \$4.2 million of income tax).

Example 20

FORco, a foreign corporation, owns 100% of USAco, a U.S. subsidiary that derives all of its income from U.S. business operations. FORco also had a creditor interest in USAco and USAco annually pays interest to FORco of \$20 million, all of which is business interest. The results from USAco's operations are as follows:

Gross profit	\$60 million
Interest income	\$ 2 million
Interest expense (all paid to FORco)	(\$20 million)
Depreciation expense	(\$10 million)
Other operating expenses	(\$27 million)
Pre-tax income	<u>\$ 5 million</u>



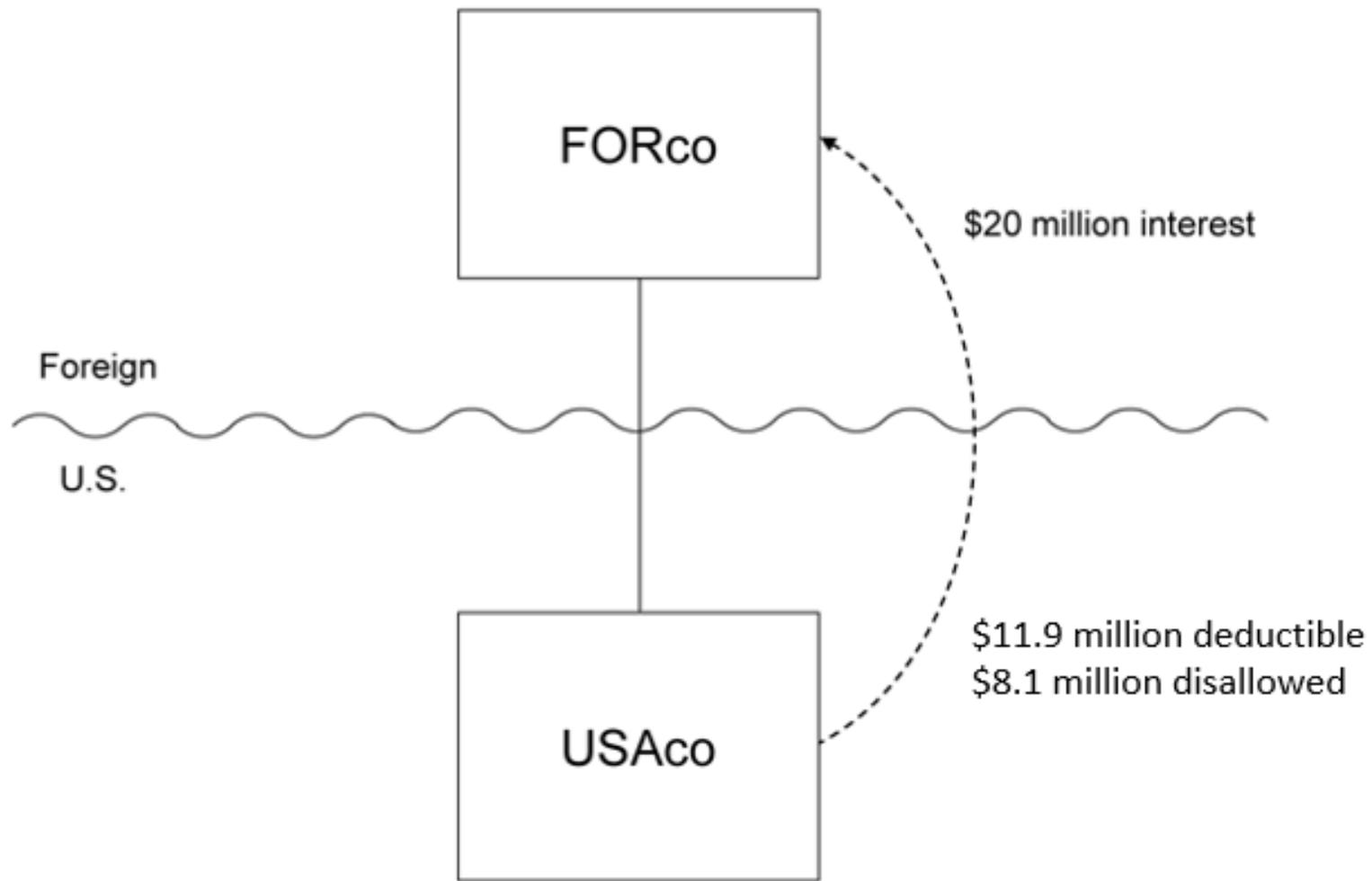
Example 20

Before the Big Beautiful Bill, USAco's adjusted taxable income was \$23 million (\$5 million of pre-tax income + \$18 million of net interest expense). Under Section 163(j), USAco could deduct a total of \$8.9 million of interest expense, comprised of \$6.9 million (30% of \$23 million) plus \$2 million of interest income.

Example 21

FORco, a foreign corporation, owns 100% of USAco, a U.S. subsidiary that derives all of its income from U.S. business operations. FORco also had a creditor interest in USAco and USAco annually pays interest to FORco of \$20 million, all of which is business interest. The results from USAco's operations are as follows:

Gross profit	\$60 million
Interest income	\$ 2 million
Interest expense (all paid to FORco)	(\$20 million)
Depreciation expense	(\$10 million)
Other operating expenses	(\$27 million)
Pre-tax income	<u>\$ 5 million</u>



Example 21

Now, USAco's adjusted taxable income is \$33 million (\$5 million of pre-tax income + \$18 million of net interest expenses + \$10 million of depreciation expense). USAco can now deduct a total of \$11.9 million of interest expense comprised of \$9.9 million (30% of \$33 million) plus \$2 million of interest income.

About Robert Misy



Robert Misy a tax attorney for the law firm of Reinhart Boerner Van Deuren and is a former trial attorney for the IRS Chief Counsel in Washington, DC.

Robert is Senior Counsel to the International Tax Committee for the ABA and a member of the bar in California, Wisconsin, and the District of Columbia.

Robert is also the author of the books *A Practical Guide to U.S. Taxation of International Transactions* and *Federal Taxation: Practice and Procedure*. He authors the column *International Tax Watch* for *Taxes: The Tax Magazine*.

**Robert can be reached at either 312-207-5456
or 414-298-8135 or rmisy@reinhartlaw.com**



The Candidate Experience

Your Employer Brand in Action





Carver Smith

Managing Partner
Truity Partners, LLC



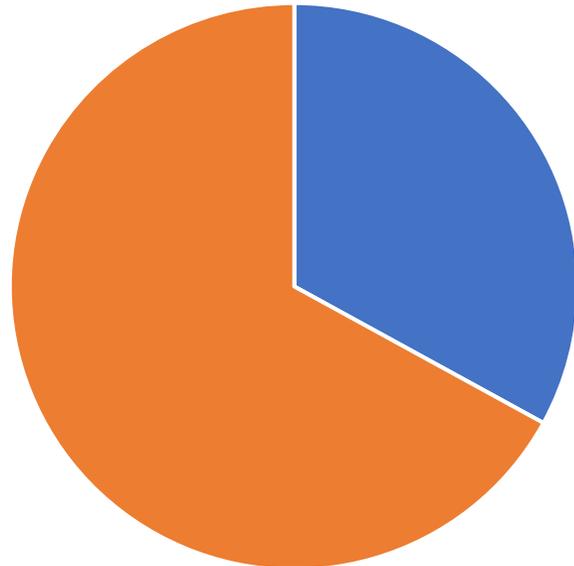
What IS the candidate experience?

Everything a job seeker encounters while interacting with your organization – from first impression to final decision, and beyond.

Why the candidate experience matters



- Impacts **brand reputation**, offer **acceptance rates**, and **referrals**
- Positive experience = **2x more likely to become customers**



67% of candidates will share negative experiences publicly (Glassdoor, social media)

Candidates Are More Than Just Applicants



Candidates are often:

Customers

Influencers

Future applicants or referrals



Don't burn bridges – **every touchpoint matters**



Pre-Employment



Hiring Process



Key Challenges

- Balancing **speed** vs. thoroughness
- Standing out in a **competitive market**
- Ensuring a **consistent** and **positive** journey

Strategy

- Fast, clear **comparisons**
- Active **selling** throughout
- Strong offers + **personalized** communication
- Stay **engaged** through start date



Hiring Process

Market Realities

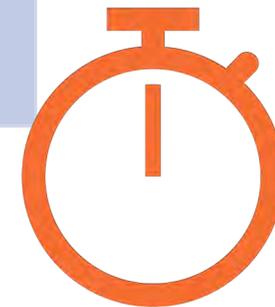
Top candidates are:

Interviewing
elsewhere

Off the market in
2–3 weeks



Speed, clarity, and warmth
are your differentiators



Communication is Everything



Respond to **every** applicant, even if not interviewed

Frequent **updates**, even without progress

No ghosting – damages brand reputation

Interviews



Interview Best Practices



Prep:
over-communicate,
provide all details



Punctuality:
be on time =
respect



Scheduling:
minimize downtime
between rounds



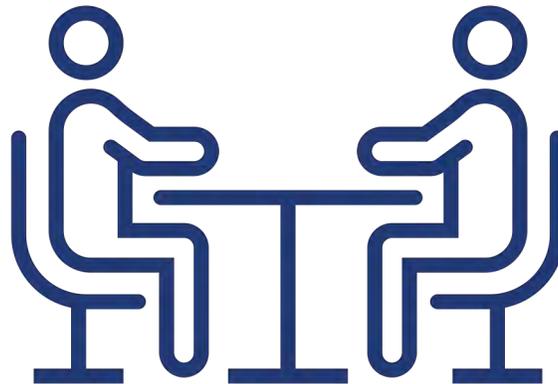
Balance:
assess + sell



Interviews

Consistency & Alignment

- Every candidate should have a **similar experience**
- Align your **stakeholders**
- **Train interviewers** – warm vs. transactional matters





Offers

Strong Offers Win

- First impression of the company's **commitment**
- Highlight **total compensation**, not just salary
- **Speed** matters – act fast



Offers



Personalization & Transparency

01

Personalized
delivery: “Here’s
why we’re excited
about you”

02

Be **upfront** about
benefits,
expectations, and
role scope

03

Don’t assume
they’re sold –
make them feel
wanted



Rejection Process

Rejections that Build Brand





Pre-Start Engagement

Keep the Warmth Going Pre-Day 1

- **Ideas:**
 - Call from HR or hiring manager
 - Team lunch, swag, coffee chat
 - Send a book or welcome gift
- Clear Day 1 info: what to bring, wear, where to go, etc.





Employment





Onboarding Matters

- Day 1 = critical
- Week 1 = second most important
- Personalized onboarding builds loyalty
- Set 30-60-90 day expectations

Retention



- **Talk & Listen**

- Ask questions around goals and growth
- Take a personalized approach with each individual
- What's working / not working

- **Manager Training**

- Most poor onboarding experiences stem from unprepared managers

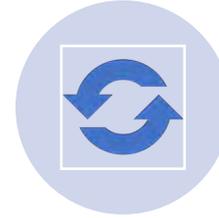
Feeling Valued



FREQUENT
RECOGNITION:
SHOUTOUTS, SPOT
BONUSES, PTO DAY



REGULAR
PERFORMANCE
REVIEWS



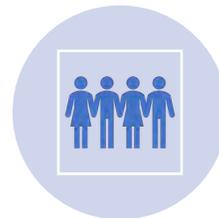
CONTINUE TO
REEVALUATE
BENEFITS



COMPETITIVE
COMPENSATION



TALK ABOUT
GROWTH PATHS



FOSTER INCLUSIVE,
INTENTIONAL
CULTURE



CELEBRATE WINS



Post-Employment



Farewells that Matter



- Counteroffers
- Respect their decision
- “Farewell, not goodbye” mindset
- Exit interviews & being a reference
- Keep in touch:
 - Alumni events
 - Newsletters
 - Ongoing community



Final Thoughts



CANDIDATE EXPERIENCE =
LONG-TERM **BRAND IMPACT**



IT'S NOT ABOUT JUST HIRING
– IT'S ABOUT **RELATIONSHIPS**



EVERY INTERACTION BUILDS
OR BREAKS **TRUST**



What else?

Let's keep in touch!



Carver Smith

Managing Partner

4147775322

carver.smith@truitypartners.com

Scan to connect with
me on LinkedIn:

