

WICPA Tax Update - 2025

Sati L. Sheafor, CPA - TAP Consulting, LLC

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Individual Tax Reform

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Notice

These slides are intended solely for the purpose of continuing education and are not meant to be all-inclusive. They are written in generalities. The opinions offered are those of the presenter. Attendees are encouraged to research and understand the tax law as it pertains to their clients. While every effort has been made to provide clear and accurate information, we offer no guarantee of the applicability. The authors accept no responsibility for any errors it may contain or for any losses sustained by any person or entity relying on this data.

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## PL 119.21 - One Big Beautiful Bill Act

- Signed into law 7.4.25 - was formally changed to HR 1
- Now PL 119.21
- Extends and makes permanent TCJA provisions
- Accelerates expiration of IRS energy provisions
- Adds temporary tax relief from campaign promises

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## Code Clarification

- Section 62
  - Defines AGI
  - Above the line
  - Used on many state returns
- Section 63
  - Calculates taxable income
  - Below the line
- Section 67
  - Miscellaneous itemized deductions
  - Not above the line
  - Not in Sections 62 or 63

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## Tax Rates - Extended/Permanent

Rate	Single	Married Filing Jnt	Married Filing Sep	Head of Household
10%	Up to 11,925	Up to 23,850	Up to 11,925	Up to 17,000
12%	11,926 - 48,475	23,851 - 96,950	11,926 - 48,475	17,001 - 64,850
22%	48,476 - 103,350	96,951 - 206,700	48,476 - 103,350	64,851 - 103,350
24%	103,351 - 197,300	206,701 - 394,600	103,351 - 197,300	103,351 - 197,300
32%	197,301 - 250,525	394,601 - 501,050	197,301 - 250,525	197,301 - 250,500
35%	250,526 - 626,350	501,051 - 751,600	250,526 - 626,350	250,501 - 626,350
37%	626,351 and Up	751,601 and Up	626,351 and Up	626,351 and Up

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**PL 119.21**

### Standard Deductions

Single	\$15,750
• Married Filing Separate	\$15,750
Married Filing Joint	\$31,500
• Surviving Spouse	\$31,500
Head of Household	\$23,625
Blind, Over 65 (Single)	\$2,000
Blind, Over 65 (Married)	\$1,600

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**PL 119.21**

### Temporary Relief/Senior Deduction

Using Code Sec. 151 (general)

Only applies to Single and Joint returns - deduction isn't allowed on MFS returns

$5,000 \times 6\% = 300$   
 $6,000 / 300 = 20$   
 $20 \times 5,000 = 100,000$

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### Tips, Tips, and More Tips

Occupations that "customarily and regularly" receive tips	Maximum amount = \$25,000
Phase out - MAGI \$150,000/\$300,000 at \$100 per \$1,000	Below the line deduction (Section 63)

Tax years 2025 - 2028 only

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Tips, Tips, and More Tips

Cannot double amount for MFJ

Cannot take deduction if MFS

Schedule C filers qualify; deduction may not create a loss for the business

Tips must be voluntary - adding tips for large parties moves the needle

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Tips, Tips, and More Tips

PL 119.21 introduced new reporting requirements for employers and 1099 issuers

Secretary of the Treasury must publish a list of occupations that fit the "customarily and regularly" definition

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Tips, Tips, and More Tips

TREASURY/IRS AND OMB USE ONLY DRAFT

**W-2 Wage and Tax Statement** 2026

Department of the Treasury - Internal Revenue Service

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Treasury Tipped Occupation Code (TTOC)	TTOC Occupation Title	TTOC Occupation Description	TTOC Illustrative Examples	Related Standard Occupational Classification (SOC System Code(s))
807	Water Taxi Operators and Charter Boat Workers	Operate water taxi boats or provide services to passengers on private charter boats. May assist in navigational activities.	Water taxi captain, air boat operator, charter boat deckhand, charter boat steward	53-5022
808	Rickshaw, Pedicab, and Carriage Drivers	Operate rickshaw, pedicab, or carriage to transport passengers.	Home drawn carriage driver, bike taxi driver	53-6099
809	Home Movers	Manually move furniture, boxes, luggage, or other materials to or from a home or dwelling.	Furniture mover, packer	53-7062

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**Overtime**

Qualified overtime = overtime compensation paid to an employee in accordance with the Fair Labor Standards Act (FLSA) of 1938 for hours worked beyond 40 in a workweek  
 \*\*Excluding qualified tips

Maximum amount = \$12,500/\$25,000 (single/joint)

Tax years 2025 - 2028 only

Phase out - MAGI \$150,000/\$300,000

Below the line deduction (Section 63)

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**Overtime**

Transition rule offers approximations for 2025 - do the best you can

Cannot take deduction if MFS

Phaseout = \$100 per \$1,000

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### §199A - Qualified Business Income Deduction

**Entity types:**

- Sole-proprietors
- Partnerships
- S corporations
- Trusts
- Estates
- **not C corporations**

**Watch calculation to make sure you reduce the business income:**

- Health insurance
- Half of the self-employment tax
- Self-employed pension
- **not tip deduction**

**Planning Points**

- Losses carry forward
- Monitor new clients closely
- Manage business income

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### §199A - Qualified Business Income Deduction

**PL 119,21 Change:**

- Made permanent
- Held the 20%
- Increased taxable income limitation phase-in
- Added a minimum deduction
- Created inflation adjustments

**Increased taxable income limitation phase-in:**

- 2025 = \$50,000/\$100,000 (single/joint)
- 2026 = \$75,000/\$150,000 (single/joint)

**Added a minimum deduction:**

- At least \$1,000 in aggregate QBI from active qualified trades or businesses with material participation
- Greater of calculation or \$400
- Inflation adjustment in \$5 multiples after 2026 to both the \$400 and \$1,000

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### QBI Threshold and Full Phase-In

**2025**

	Threshold Amount	Full Phase-In Amount
Married Filing Joint/Surviving Spouse	\$394,600	\$494,600
Married Filing Separate	\$197,300	\$247,300
All Other	\$197,300	\$247,300

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### State And Local Taxes

No longer sunseting - permanent

\$40,000 - 2025/2026  
101% of the preceding year - 2027-2029  
\$10,000 - 2030 and beyond

Income phasedown - at a 30% rate  
\$500,000 (marriage penalty) - 2025  
\$505,000 - 2026  
\*\*not below \$10,000



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### Mortgage Interest - Tax years after 12.31.25

Permanently extends the provision limiting interest to \$750,000 of debt to buy, build, or improve your home (main or second)

Added mortgage insurance premiums to be treated as interest using the rules in place for 2021 meaning must be "acquisition indebtedness"

Home equity indebtedness permanently excluded when the interest wasn't used to buy, build, or improve - the boat isn't coming back

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### Expired Provisions - We're back...

"Above-the-line" charitable deduction - 2021 (\$300/\$600)

"Above-the-line" charitable deduction - 2026 (\$1,000/\$2,000)

Doesn't appear to be subject to new floor

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**With a New Floor - Individuals**

- Contributions must exceed .5% of AGI
- Disallowed based on .5% may be carried forward 5 years
- Ordering rules on limitations apply
- Previous carryovers not subject to floor
- Effective after 12.31.25

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**With a New Floor - Individuals**

For example:  
Taxpayer's AGI = 150,000  
Charitable contributions = 1,000

Floor:  $150,000 * .005 = \$750$   
Contributions allowed:  $\$1,000 - \$750 = \$250$

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**With a New Floor - Individuals**

**Floor hits first, then remove disallowed from floor in the following order:**

1. Capital gain property to 30% limit organizations (20% AGI limit)
2. Capital gain property to 50% limit organizations (30% AGI limit)
3. Other contributions to 30% limit organizations
4. Qualified conservation contributions
5. Other contributions to 50% limit organizations (non-cash)
6. Cash contributions to 50% limit organizations (60% AGI limit)

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### Schedule A Limitations

- Tax years after 12.31.25
- Not applicable when determining QBI
- First determine limitations as before: Medical; Mortgage; SALT; Charitable
- Reduced by 2/37 of the lesser of:
  - Itemized deductions
  - Taxable income (adjusted) that exceeds beginning of 37% bracket

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### Schedule A Continues

<b>Casualty loss deduction</b>	<ul style="list-style-type: none"><li>• Extended to losses resulting from a "state declared disaster"</li><li>• State includes Dist of Columbia, Puerto Rico, Virgin Islands, Guam, American Samoa, and the Northern Mariana Islands</li></ul>
<b>Miscellaneous itemized</b>	<ul style="list-style-type: none"><li>• Permanently gone - Section 67</li><li>• Carved out educator expenses</li></ul>

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### Schedule A Continues

#### Educator expense

- Above the line deduction still in place - \$300
- Removes the dollar limitation and exclusion for nonathletic supplies of health or phys. ed.
- Changes the requirement from "in classroom" to "part of instructional activity"
- Educators now includes "interscholastic sports admin/coach"
- Unlimited expenses on Sch A - no longer Sec 67
- Need clarification - currently double dipping allowed

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### Estate and Gift Tax Exemption

PL 119.21 permanently increased the estate and lifetime gift tax exemption to \$15,000,000/\$30,000,000 in 2026... (13,990,000/27,980,000 in 2025)

\*\*Future years will see inflation indexed amounts

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### AMT Exemption/Phase-out

**2025 exemptions**

- \$88,100 single
- \$137,000 married filing joint and surviving spouses
- \$68,650 married filing separate
- \$30,700 estates and trusts

**2025 phase-out thresholds**

- \$626,350 single and married filing separate
- \$1,252,700 married filing joint

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### AMT Continued

**Good news**  
Permanently extended the increased exemption amounts

**Bad news**  
Phase-out thresholds reset back to 500,000/1,000,000 adjusted for inflation - after 2025  
Phase out for certain amounts moved from 25% to 50% - after 2025

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**A Little Morsel**

**Section 25F - New Credit: Qualified Elementary/Secondary Education Scholarship**

- Allowed for qualified cash contributions to scholarship granting organizations
- Maximum credit = \$1,700
- Credit reduced for any state credits on same funds
- Eligible students have income limits
- Unused credits carryforward for 5 years
- Tax years ending after 12.31.26

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**A Little Morsel**

**Employer Payments of Student Loans**

- Made permanent - Section 127
- Plan must be written, and employees must be informed
- Only benefit employees - retired and laid off count
- Shareholders may benefit; but not more than 5% of amounts paid may be for shareholders/owners
- Exclusion = \$5,250 - adjusted for inflation starting in 2026

**529 Plans**

- Definition of "qualified higher education" includes elementary, secondary, public, private, and religious schools
- Expanded expenses allowed:
  - Fees: achievement tests; advanced placement exams; college admission exams; dual enrollment
  - Educational therapies for students with disabilities
- Distributions after bill was signed - 7.4.25
- Existing \$10,000 limit increased to \$20,000 after 2025

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**A Little Morsel**

<b>Bicycle commuting</b>	<ul style="list-style-type: none"> <li>• Permanently excluded</li> <li>• Taxable to the employee</li> </ul>
<b>Moving expense</b>	<ul style="list-style-type: none"> <li>• Permanently gone</li> <li>• Don't rule out military</li> <li>• Now adding "certain members of intelligence community"</li> </ul>
<b>Wagering losses</b>	<ul style="list-style-type: none"> <li>• Aka - gambling losses - look out Nevada!!</li> <li>• Clarifies definitions of losses</li> <li>• Limits deduction to 90% of losses</li> </ul>

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**A Little Morsel**

<b>ABLE account</b>	<ul style="list-style-type: none"> <li>Increased limit made permanent (19K in 2025)</li> <li>Contributions eligible for saver's credit (after 2025)</li> </ul>
<b>Saver's credit</b>	<ul style="list-style-type: none"> <li>Includes contributions to ABLE accounts (after 2025)</li> <li>Increase from \$2,000 and \$2,100 (after 2026)</li> </ul>
<b>Student loan debt</b>	<ul style="list-style-type: none"> <li>Permanently excluded discharge from gross income due to death/disability</li> <li>Must have SSN on the return</li> </ul>

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**Health Savings Accounts**

Individual	\$4,300
Family	\$8,550
Age 55 or older catch up	\$1,000

Watch the family provision for age 55 and over

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**Our Children Are Even More Valuable**

Child tax credit

Enhanced adoption credit

Dependent care assistance

Dependent care tax credit

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## Child Tax Credit



Set to sunset - \$2,000 - TCJA  
Income phase out - 2025  
\$200,000 Single  
\$400,000 Married Filing Joint



Increased to \$2,200 - PL 119.21 (2025)  
Inflation adjustments in place (2026)  
Refundable portion adjusted for inflation (\$1,700 - 2025)

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## Enhanced Adoption Credit

\$17,280 per adopted child

\$5,000 becomes refundable

Income phase-out = 259,190 - 299,190

Both amounts subject to inflation adjustments

Tax years after 12.31.24

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## Dependent Care Assistance



CURRENTLY \$5,000



INCREASED TO \$7,500



TAX YEARS AFTER 12.31.25

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### Dependent Care Tax Credit

Currently 35% down to 20%

Increased to 50% down to 35%

Increased to 35% down to 20%

AGI \$15,000 to \$45,000

AGI \$75,000 to \$105,000

Tax years after 12.31.25

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### Trump Accounts - New Code Section 530A

Generally treated as an IRA

- But not a Roth IRA
- Investment focus = "qualified index"
- Max \$5,000 per year (inflation adjusted after 2027)

Minors

- Under age 18
- IRA timing rules don't apply (can't wait until 4.15)
- Rollovers between accounts allowed (including to ABLA accounts)
- Not included in income of account beneficiary

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### Trump Accounts - New Code Section 530A

New Code Section 128 - Employer Contributions

- Excludes up to \$2,500
- Employee's account
- Employee's dependent's account
- Inflation adjustments after 2027

New Code Section 6434 - Pilot Program

- Election for eligible child to receive \$1,000 directly to account
- Must have SSN
- Steep penalty for improper claims
- \$500 for negligence or disregard of rules
- \$1,000 for fraud

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### Terminated credits

Qualified commercial clean vehicle credit scheduled to sunset 12.31.32 now ends 9.30.25	Previously owned clean vehicle credit scheduled to sunset 12.31.32 now ends 9.30.25
Energy efficient home improvement credit for property placed in service after 12.31.25 terminated	Residential clean energy credit for purchases after 12.31.25 terminated

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### Paper Checks

As of September 30, 2025, the IRS is no longer accepting checks... or issuing them

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**1040 U.S. Individual Income Tax Return 2025**

**DO NOT WRITE IN THESE AREAS**

**DO NOT WRITE IN THESE AREAS**

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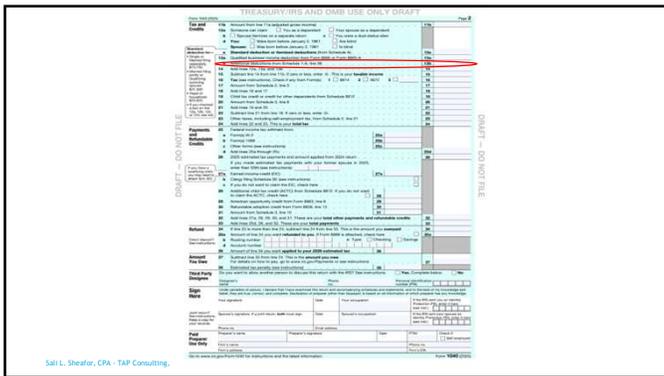
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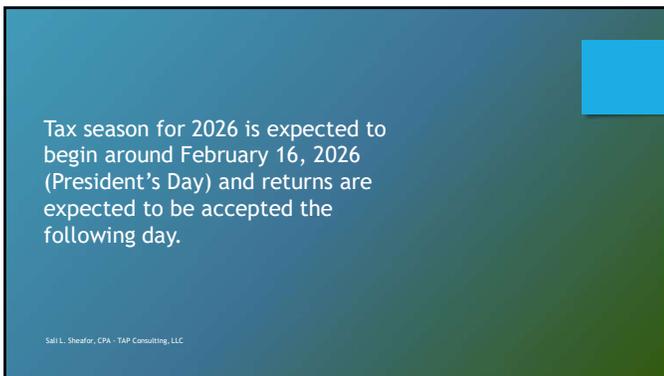
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**Bonus Depreciation back to 100%**  
purchase date after 1.19.25  
now permanent

**Section 179 increased**  
2.5M with phaseout at 4M  
(adincreased from 1M and 2.5M)

## Depreciation

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## Excess Business Loss

PL 119.21 made this permanent

Inflation adjusted amounts for 2025 = \$313,000/626,000

Excess Business Loss = Amount by which expenses are more than income (including gains and losses reported on 4797)

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## Standard mileage rates

Beginning Jan. 1, 2025, the standard mileage rates for the use of a car, van, pickup or panel truck will be:

- 70 cents per mile driven for business use, up 3 cents from 2024.
- 21 cents per mile driven for medical purposes, the same as in 2024.
- 21 cents per mile driven for moving purposes for qualified active-duty members of the Armed Forces, unchanged from last year.
- 14 cents per mile driven in service of charitable organizations, equal to the rate in 2024.

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### FICA Tip Credit

PL 119.21 expands 45B - tip credit - to include beauty service businesses where tipping is customary

Beauty services include barbering, hair care, nail care, esthetics, and body and spa treatments

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### Business Interest Limitation - 163(j)

Change in calculation - went from EBITDA to EBIT: PL 119.21 moves it back back to EBITDA

Floor plan interest permanently excluded

For tax years after 2025, limitation is applied before application of the interest capitalization rules

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### Paid Family and Medical Leave Credit

General business credit to employer that pays employee on leave

Must have written policy in place

At least 2 weeks annually    Not less than 50% of normal wages paid    Full-time and pro-rated for part-time

Employer more than one year

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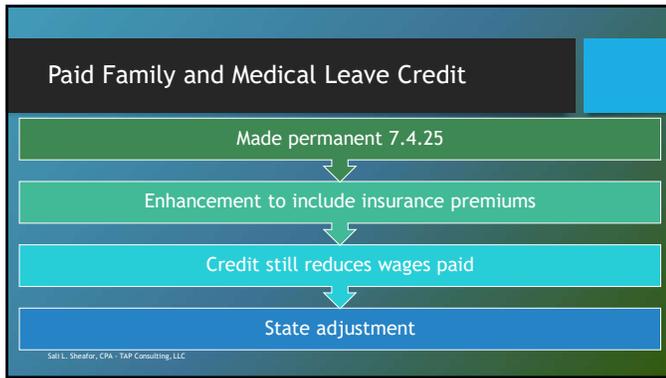
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- 📅 New temporary relief for sales after 7.4.25
  - 📍 Sale of "qualified farmland" - located in the US; used as a farm for farming purposes
  - 🏠 10 years up to sale of land and 10 years following sale
  - ✓ Election must be made by due date of the return
  - 👥 Partnerships/S Corporation - election at individual level
  - 📅 First installment due April - without extension
  - 💰 4 equal installments (4 years)
  - ⚠️ Failure to make payments or death of taxpayer = whole balance due
- Farmland Sales**
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**New Charitable Floor - Corporations**

Contributions allowed that exceed 1% of taxable income

May not exceed 10% of taxable income

Disallowed based on 1% or 10% may be carried forward 5 years

Effective after 12.31.25

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## Section 1202 Qualified Small Business Stock

Noncorporate shareholders may exclude some or all of the gain recognized upon the sale or exchange of QSBS.

Before PL 119.21:

- Up to 100% of gain could be excluded for QSBS held for at least five years.
- Exclusion capped: greater of \$10 million or 10 times the aggregate adjusted basis of the taxpayer's stock sold during the taxable year.
- Small business for purposes of Section 1202 = no more than \$50 million in aggregate gross assets.
- C corporations, not S corporations unless restructured

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## Section 1202 Qualified Small Business Stock

§70431 of Public Law 119-21  
I.R.C. § 1202

Years Stock Held	Applicable Percentage
3 Years	50%
4 Years	75%
5 Years or more	100%

For stock acquired after July 4, 2025, the aggregate amount of excluded gain per issuer is \$15,000,000 (up from \$10,000,000).

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## Digital Asset Reporting Review

Brokers must report gross proceeds on the sale of digital assets starting in 2025.

Basis reporting will be required by certain brokers for transactions occurring on or after January 1, 2026.

Real estate professionals will be required to report the fair market value of digital assets paid by buyers and received by sellers in real estate transactions with closing dates on or after January 1, 2026.

Brokers will not be required to report basis for digital assets acquired prior to January 1, 2023.

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### 1099-K Reporting



Only for reportable transactions - not including "inter-friendship" activity



PL 119.21 moved reporting back to the old rule:  
200 transactions; and  
\$20,000 gross receipts

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1099-NEC = Nonemployee Compensation:  
Contractors  
Gig Economists  
Independent Contractors  
Freelancers

1099-MISC = Miscellaneous Information  
Rent  
Prizes  
Royalties

Beginning for calendar years after December 31, 2025, threshold moves from \$600 to \$2,000

### 1099-NEC and 1099-MISC

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### Research and Experimental

IRC 174 was replaced with IRC 174A to allow domestic specified R&E expenses paid and incurred beginning January 1, 2025, to be currently deductible.

- Alternatively, taxpayers may elect to capitalize and amortize domestic R&E over not less than 60 months, starting with the month the benefit is first realized.
- Under amended Section 174, foreign R&E expenses are still capitalized and amortized over 15 years.
- Companies can choose between reducing their R&E deduction by the amount of the research credit or taking a reduced research credit to preserve the full deduction.

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### Research and Experimental Transition Rule

Generally, taxpayers that capitalized R&E between December 31, 2021, and January 1, 2025, may elect to accelerate the deduction of any remaining unamortized amounts from 2022-2024 over 1 or 2 years.

However, there is a small business transitional rule for businesses with average annual gross receipts in 2025 of \$31 million or less. They may elect to apply the new rule retroactively to tax years beginning after December 31, 2021:

- Must amend returns for 2022, 2023, and 2024
- Retroactive election must be filed on or before July 4, 2026.

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### Qualified Production Property (QPP)

- IRC 168(n) - allowing 100% depreciation deduction for qualified production property
- No income limitations to restrict this
- Can create or increase NOL
- Available as of 7.4.25

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### Qualified Production Property

Generally, QPP is building property (with a 39-year class life) that meets the following requirements:

- Depreciable under Section 168.
- Used by the taxpayer as an integral part of a qualified production activity.
- Placed in service in the United States or a U.S. possession.
- Original use commenced with the taxpayer.
- Construction begins after January 19, 2025, and before January 1, 2029.
- QPP election.
- Placed in service before January 1, 2031.

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**Qualified Production Activity**

The manufacturing, production, or refining of a qualified product. The term production relates solely to agricultural and chemical production.



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**Qualified Product**

Any tangible personal property except for food and beverages prepared in the same building as a retail establishment in which property is sold.  
(Leased property does not qualify as QPP, and portions of buildings not used for production must be excluded.)

QPP is not the same as bonus depreciation.



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**QPP can be used...**

1. The taxpayer acquired the used property, subject to a written binding contract, between January 19, 2025, and before January 1, 2029.
2. The property was not used in a qualified production activity between January 1, 2021, and May 12, 2025.
3. The property was never previously used by the taxpayer.
4. The property was not acquired from certain related persons or a member of the same control group.
5. The acquirer's basis in the property is not determined on a carryover basis or under rules relating to property acquired from a decedent.

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**QPP -- CAUTION**

A 10-year recapture period applies if the property ceases to be used in a qualified production activity within 10 years of the being placed in service. Depreciation would be added back to income

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**Penalties**

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**Revocation/Denial of Passport**

IRS plans to inform the state department about those who have significant unpaid taxes

This could lead to the inability to renew or obtain a passport

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**Failure to File Individual Return**

For 2026, returns not filed within 60 days of the due date shall be not less than the lesser of:

\$525 or  
100% of the amount required to be shown as the tax on the return

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**Failure to File Partnership or S Corporation**

Monthly penalty (up to 12 months) is the product of \$255 multiplied by the number of persons who were partners or S corporation shareholders during any part of the taxable year.

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**Retirement Planning**

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Types of accounts

- Traditional
- Roth - born 1997
- SEP
- SIMPLE
- 401(k)

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It's in the Details

Pre-tax versus post-tax	Contributions allowed	Structure - employee versus business owner	Company tax structure; employees
Ways to contribute	Income limits	Penalties	Life of account - 5-year rule on Roth

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Determine Type of Account

- Age
- Financial position - debt; tax bracket; cash
- Business owner versus employee
- Planning goals
- Tax now or tax later

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Type of Account	Under age 50	Over age 50 Catchup	Special Provision (Age 60 - 63 by 12.31)
Traditional	7,000	1,000	0
Roth	7,000	1,000	0
SEP	70,000	0	5,250
SIMPLE	16,500	3,500	5,250
401(k)	23,500	7,500	11,250

Contribution Limits by Plan Type

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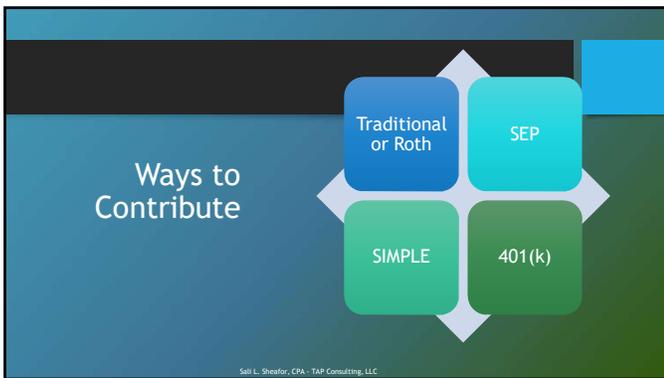
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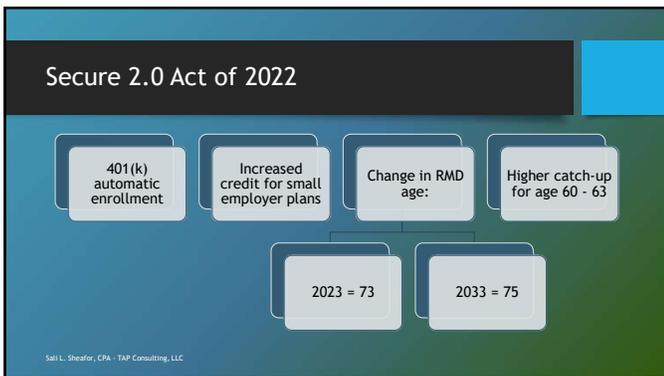
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**401(k) automatic enrollment**

- Was optional; now automatic
- Employee may opt out
- Begins at no less than 3%, no more than 10%
- Annual 1% increase, not to exceed 15%

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**Increased credit for small employer plans**

Prior credit = 50% administrative costs;

- not to exceed 5,000;
- years 1 - 3

Current credit = 100% administrative costs\*

\*special change for defined benefit plans not discussed

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**Higher catch-up for ages 60 - 63**

- Beginning 2025
- Greater of \$10,000 or 50% more than regular catch-up amount
- Indexed for inflation

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Roth IRA		Roth
Married Filing Joint		236,000 - 245,999
Single		150,000 - 164,999
Head of Household		150,000 - 164,999
Married Filing Separate		0 - 9,999

Income Limits - Roth

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Type of Account	Covered by Employer Plan	Income
Single, HOH	No	Any amount
Single, HOH	Yes	79,000 - 89,000
Married Filing Joint	Neither	Any amount
Married Filing Joint	Both	126,000 - 146,000
Married Filing Joint	Covered Spouse	126,000 - 146,000
Married Filing Joint	Non-covered Spouse	236,000 - 246,000
Married Filing Separate	Neither	Any amount
Married Filing Separate	Either	0 - 10,000

Income Limits - Traditional

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## Penalties

Under age 59.5 unless:

Death	Disability
Domestic Relations	Education
Homebuyer	Levy
Medical	And more

<https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-tax-on-early-distributions>

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**Life of the Account - 5-Year Rule**

The Roth IRA five-year rule states you cannot withdraw earnings tax free until it's been at least five years since you first contributed to a Roth IRA account. This rule applies to everyone who contributes to a Roth IRA, whether they're 59½ or 95 years old.

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The five-year rule applies in three situations:

- Withdraw earnings from your Roth IRA;
- Convert a traditional IRA to a Roth IRA; or
- Inherit a Roth IRA.

**Life of the Account - 5-Year Rule**

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**Life of the Account - 5-Year Rule**

Tax year = Begins January 1 of the tax year when the first contribution was made

Typically, you can make an IRA contribution by April 15 or the tax filing deadline of the next year, and it can count for the prior tax year. As a result, a 2025 contribution made up to April 15, 2026, would count as if it were made on Jan. 1, 2025. You could begin withdrawing funds without penalty on Jan. 1, 2030—not April 15, 2031.

Each conversion has its own five-year period.

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**Withdraw earnings without meeting 5-year rule (regardless of age)**

- Up to \$10,000 to pay for your first home
- Use the money to pay for higher education for yourself or for a spouse, child, or grandchild
- Pay for health insurance premiums—should you become unemployed—or if you need to reimburse yourself for medical expenses that exceed 10% of your adjusted gross income
- Death - see next slide...

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**Death of a Roth Holder**

- Beneficiary has RMDs (Required Minimum Distributions)**
- No penalties -** Regardless of age, Principal, or Earnings
- One catch:** If the inherited Roth IRA wasn't held for 5 years, the earnings are subject to tax
- BUT WAIT: there are ordering rules -** yes, basis comes first, earnings last

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**What to consider before rolling accounts**

- Investment companies
- Age
- Current tax rates
- Pending tax laws
- Current market state
- Financial advisor
- Portability
- Financial position
- Permanence
- Timing

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### What to consider before rolling accounts

SIMPLE accounts beat to their own drum. There is a two-year rule that states funds contributed to a SIMPLE account must remain there for the first two years. This clock starts ticking on the day of the first contribution.

Cannot move non-SIMPLE account	Cannot convert to Roth IRA	Cannot roll to a company retirement plan (aka 401)
--------------------------------	----------------------------	--

\*\*\*\*If you move SIMPLE IRA funds (by rollover or transfer) during the first two years, the IRS won't treat the transaction as a tax-free rollover or transfer. They will treat it as a taxable distribution out of your SIMPLE IRA, and a regular contribution to the IRA.

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Do	Don't
<ul style="list-style-type: none"> <li>Look at the age of the taxpayer                             <ul style="list-style-type: none"> <li>Medicare</li> <li>Withholding</li> <li>Retirement options</li> </ul> </li> <li>Run full tax planning</li> <li>Review the tax rates</li> <li>Monitor incoming tax laws</li> <li>Consider the best ways to pay the tax</li> <li>Partner with financial advisor</li> </ul>	<ul style="list-style-type: none"> <li>Withhold on an individual under age 59.5</li> <li>Leave lower tax brackets untouched</li> <li>Overburden the taxpayer</li> <li>Leave the taxpayer with all qualified funds</li> <li>Ignore the taxpayer</li> </ul>

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If your yearly income in 2023 was:			
File individual tax return	File joint tax return	File married & separate tax return	You pay each month (in 2025):
\$106,000 or less	\$212,000 or less	\$106,000 or less	\$185.00
above \$106,000 up to \$133,000	above \$212,000 up to \$266,000	not applicable	\$259.00
above \$133,000 up to \$167,000	above \$266,000 up to \$334,000	not applicable	\$370.00
above \$167,000 up to \$200,000	above \$334,000 up to \$400,000	not applicable	\$480.90
above \$200,000 and less than \$500,000	above \$400,000 and less than \$750,000	above \$106,000 and less than \$394,000	\$591.90
\$500,000 or above	\$750,000 or above	\$394,000 or above	\$628.90

## MEDICARE PREMIUMS 2025

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Rollovers done prior to 59.5 cannot have withholding or the rollover is bifurcated into two amounts - penalized and not penalized. The penalized amount will equal the withholding.

When will the taxpayer be retiring? Many are retiring at 50 or 55 - this allows multiple years of smaller conversions to utilize the lower tiers for converting funds.

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Watch back-door Roths - if any existing accounts already, no can do

- Traditional
- SIMPLE
- SEP

And then...

Strategy?

- Moving funds to the 401(k)
- Be careful to watch language in 401(k) documents - moving in may not be permitted

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Make sure to plan for beneficiaries -

But also...

- Leave the taxable to the lower tiered income
- May want to look to younger beneficiaries
- New(er) 10 year pull on inherited accounts
- Leave the Roth to the higher tiered income

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## 10-year rule – no more stretch IRAs

Exceptions from the 10-year rule:

- surviving spouses
- minor children (until age 21) of the deceased account owner
- chronically ill or disabled
- not more than 10 years younger than the decedent.

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## Additional Planning Points

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## Donor Advised Funds (DAF)

Great planning tool for philanthropic taxpayers

- No capital gains
- FMV = deduction
- Add funds during downturn in market
- Creates tax-free recovery
- Simplifies paperwork - one statement from fund rather than many from 501(c)(3)s
- Due diligence falls to SO - no worry about charitable status
- Low entry points - could be as low as \$5,000
- Annual fees can be less than 1% of the assets

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### Donor Advised Funds (DAF)

CAUTION: Loss inside fund could reduce assets and diminish ability to fund future grants - monitor pledges closely and don't forget market fluctuations.

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### Qualified Charitable Distribution

- Owner > 70.5 years
- Maximum annual contribution = \$108,000
- Limited to that which would have been taxed - excludes non-deductible contributions
- Qualifying charity must be 501(c)(3)
  - Private Foundation = no
  - Supporting Organization = no
  - Donor Advised Fund = no

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### Review trust documents

A grantor trust beneficially owned by an eligible S corporation shareholder becomes a non-grantor trust upon death, failure to make a timely ESBT or QSST election creates an indirect transfer and termination.

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**Loss Limitations**

- Basis Limitation
- At-Risk Limitations
- Passive Loss Limitations
- Excess Business Loss Limitations

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**Basis Limitation**

- Partnerships fall under § 704(d)  
No IRS form
- S Corporations fall under §1366(d)(1)  
Form 7203

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**Digital Assets**

What type of income is it:

- Passive
- Self-employment
- Ordinary

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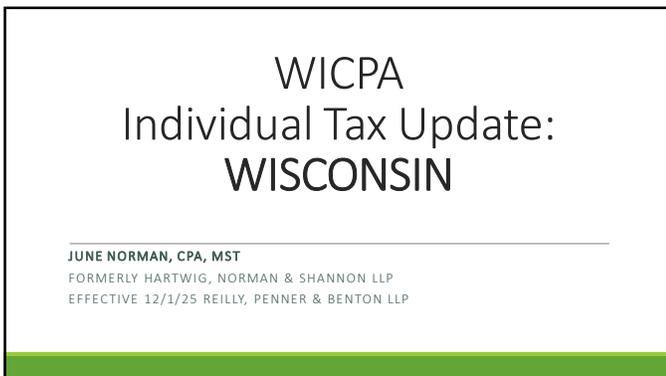
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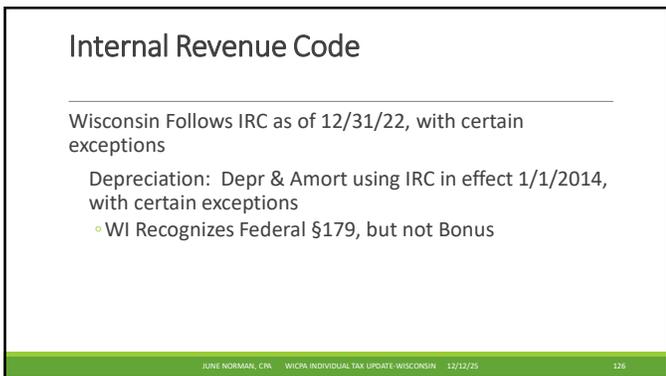
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### Internal Revenue Code

Wisconsin automatically follows Federal

- Health Savings Account (HSA) limits
- §1202 Exclusion for certain small business stock
- 529 Education Accounts
- Depletion
- §179 Deductions
  - HR 1 increased the 2025 expense limitation to \$1,250,000 on purchases of up to \$3,130,000
  - (2026: \$2.56m on purchases up to \$4.09)

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### Federal Taxable Income: Form 1040, page 2

TREASURY/IRS AND OMB USE ONLY DRAFT

Form 1040 (2025)		Page 2
<b>Tax and Credits</b>	<b>11b</b> Amount from line 11a (adjusted gross income)	<b>11b</b>
	<b>12a</b> Someone can claim <input type="checkbox"/> You as a dependent <input type="checkbox"/> Your spouse as a dependent	
	<b>b</b> <input type="checkbox"/> Spouse itemizes on a separate return <b>c</b> <input type="checkbox"/> You were a dual-status alien	
	<b>d</b> You: <input type="checkbox"/> Were born before January 2, 1961 <input type="checkbox"/> Are blind	
	Spouse: <input type="checkbox"/> Was born before January 2, 1961 <input type="checkbox"/> Is blind	
<b>Standard deduction for:</b>	<b>e</b> Standard deduction or itemized deductions (from Schedule A)	<b>12e</b>
• Single or Married filing separately, \$13,700	<b>13a</b> Qualified business income deduction from Form 995 or Form 995-A	<b>13a</b>
• Married filing jointly or Qualifying surviving spouse	<b>b</b> Additional deductions from Schedule 1-A, line 38	<b>13b</b>
	<b>14</b> Add lines 12e, 13a, and 13b	<b>14</b>
	<b>15</b> Subtract line 14 from line 11b. If zero or less, enter -0-. This is your <b>taxable income</b>	<b>15</b>
	<b>16</b> Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/>	<b>16</b>

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### Federal Tax Formula

Federal Taxable Income

- Income
- Less Adjustments
- Adjusted Gross Income**
- Less > Itemized Deduction s
- Less 20% Qualified Business Deduction on §199A
- Less New Schedule 1-A Additional Deductions:
  - No Tax on Tips, Including
  - No Tax on Overtime
  - No Tax on Car Loan Interest
  - Enhanced Deduction for Seniors \$6,000
- Federal Taxable Income**



Wisconsin Starts here

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## Internal Revenue Code

In addition to not following the new Schedule 1-A Federal deductions, Wisconsin did not adopt:

- New 163(j) limitation on business interest expense
- 168(n) relating to Qualified Production Property (QPI)
- Changes to R&D Expenditures
- Changes to method for accounting for LT Contracts for residential construction
- Capital gains invested in Opportunity Zones

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## This was a Budget Year in Wisconsin

New Law:  
 2025 Wis Act 15  
 (SB 45)  
 Signed by Gov Evers 7/3/25  
 aka 2025-2027 Budget Bill

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## Individual Tax Rate Reduction (& Fiduciaries)

The second lowest tax bracket was expanded

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### Individual Tax Rate Reduction

Single									
over	2024 but not over	2024 tax was	of the amount over	2025 WAS To Have Been	2025 NEW	DIFF	Rate	Savings	
\$0	\$14,320	3.5%	\$0					5.3% - 4.4%	
\$14,320	\$28,640	\$501.20 + 4.4%	\$14,320	29,370	\$0,480	\$ 21,110	0.90%	<b>\$ 189.99</b>	
\$28,640	\$315,310	\$1,131.28 + 5.3%	\$28,640						
\$315,310		\$16,324.79 + 7.65%	\$315,310						
Married Filing Joint									
over	2024 but not over	2024 tax was	of the amount over	2025 WAS To Have Been	2025 NEW	DIFF	Rate	Savings	
\$0	\$19,090	3.50%	\$0					5.3% - 4.4%	
\$19,090	\$38,190	\$668.15 + 4.4%	\$19,090	\$ 39,150	\$ 67,300	28,150	0.90%	<b>\$ 253.35</b>	
\$38,190	\$420,420	\$1,508.55 + 5.3%	\$38,190						
\$420,420		\$21,766.74 + 7.65%	\$420,420						

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### NEW: Wisconsin Retirement Subtraction

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Who? Individuals, 67+ (as of 12/31)

- Residents
- Part Year Residents prorate the subtraction by Wis AGI to Fed AGI
- Non-residents ineligible

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### NEW: Wisconsin Retirement Subtraction

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What?

Subtraction up to \$24,000 of Eligible Retirement Income

**Eligible Retirement Income:**

Payments from qualified retirement plans and IRAs that are not excluded under a separate provision of Federal or Wisconsin law (ie no double deduction)

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### NEW: Wisconsin Retirement Subtraction

Exclusion is \$24,000 per Tp

Married Couple, both over 67, the couple may subtract up to \$48,000 of eligible retirement income (even if only one spouse reported qualified retirement income)

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### NEW: Wisconsin Retirement Subtraction

*Former Wisconsin Retirement Income Subtraction:  
\$5,000 Subtraction  
Phasing out at Federal AGI \$15,000 (S) \$30,000 (MFJ)*

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### NEW: Wisconsin Retirement Subtraction

Report the Deduction on Schedule SB-Subtraction From Income  
(or Schedule M if filing NPR)

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### NEW: Wisconsin Retirement Subtraction

**KICKER:** Taxpayers who claim the subtraction may not claim *any* Wisconsin tax credit listed

- Credits may not be claimed and may not be carried forward
- We're hoping that our tax software optimizes
- This will be a new e-file reject—where the deduction is claimed and any credit is also claimed

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### NEW: Wisconsin Retirement Subtraction

*Tax Savings Example:*

*Assume Qualified Retirement income of \$24 or \$48k and retiree(s) in third tax bracket 5.3%*

*S (WI Income \$50-\$315k) savings of \$1,272 LESS the lost credits*

*MFJ (WI Income \$67-\$420k) savings of \$1,272 \* 2 (if both over 67) = \$2,544 LESS the lost credits*

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### NEW: Wisconsin Retirement Subtraction

*Note: This new Wisconsin provision is available at age 67*

*The new (completely unrelated) \$6,000 Federal Enhanced Deduction for Seniors begins at age 65*

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## Increased Subtraction for Qualified Adoption Expenses

Budget Bill increased the subtraction from \$5,000 to \$15,000 per child

- Subtraction at 5.3% = tax savings of \$530

For Reference:

- Federal Adoption Credit \$17,280 per child
- \$5,000 refundable
- Income phase out \$259-\$299k

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## Wisconsin Act 15 (Budget Bill)

Tax cut of \$1.3 billion over the biennium

Act also includes elimination of sales tax for electricity and natural gas sold for residential use—previously exempt Nov-April, now exempt year round

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## Other Wisconsin Updates

### Wisconsin 529 Subtraction (EdVest/Tomorrow's Scholars)

- \$5,130 per beneficiary (up from \$5,000 in 2024)
- \$2,560 MFS

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## Other Wisconsin Updates

### Wisconsin Tuition and Fees Subtraction

- Subtract up to \$7,659 for qualifying expenses per student (up from \$7,333 in 2024)
- Phases out S/HH \$69-\$83k; MFJ \$111-\$138k

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## Most Recent Revenue Collections Report



State of Wisconsin • DEPARTMENT OF REVENUE

1000 BANKERS BUILDING • 1000 BANKERS BUILDING • WISCONSIN 53102-1000 • (608) 261-2000 • FAX (608) 261-2000

David W. Carr  
Secretary of Revenue Designee

November 18, 2025  
FOR IMMEDIATE RELEASE  
CONTACT: Jennifer Bacon, (608) 266-2000  
[DOFRcommunications@wisconsin.gov](mailto:DOFRcommunications@wisconsin.gov)

### Department of Revenue Collections, October FY2026

General Purpose Revenue (GPR) Collections

Amounts in Thousands (\$), rounded

Revenue Source	Collections for Month			Collections to Date		
	FY25	FY26	% change	FY25	FY26	% change
Individual Income	874,818	881,139	0.7%	2,953,422	3,128,517	5.9%
General Sales & Use	669,425	703,875	5.1%	1,989,714	2,106,073	5.8%
Corporate	37,384	74,856	100.2%	658,090	708,990	7.7%
Excise Taxes	49,198	48,539	-1.3%	155,322	148,743	-4.2%
Other	32,662	24,655	-24.5%	53,125	47,624	-10.4%
<b>Total GPR</b>	<b>1,663,486</b>	<b>1,733,064</b>	<b>4.2%</b>	<b>5,809,674</b>	<b>6,139,946</b>	<b>5.7%</b>

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## Most Recent Revenue Collections Report

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## Update on Direct File

For 2024, Wisconsin had been a linked state to the Federal Direct File Program

However, Federal has since discontinued its Direct File Program

Wisconsin does have a standalone free Wisconsin electronic filing program for 2025

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## Pass Through Entity-Level Tax stats (Source: WTB 230)

2023 Tax Year <small>(Statistics as of June 19, 2025)</small>	
<b>Tax-Option (S) Corporations (Form 55) Filing Stats</b>	
Tax-Option (S) Corporation returns filed	90,106
Tax-Option (S) Corporation entity-level tax elections filed	9,122
Percent of entity-level tax elections filed	10.12%
<b>Partnership (Form 3) Filing Stats</b>	
Partnership returns filed	89,288
Partnership entity-level tax elections filed	4,304
Percent of entity-level tax elections filed	4.82%
<b>Pass-Through Entity Filing Stats – TOTAL</b>	
Pass-Through entity returns filed	179,394
Entity-level tax elections filed	13,426
Percent of entity-level tax elections filed	7.48%

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## More stats from DOR (Source WTB 230)

Commonly Used Individual Franchise/Income Tax Credits, Tax Year 2023 <small>(Statistics as of June 12, 2025)</small>				
Individual Income Tax Credits	Number of Claimants Using Credit	Amount of Credit Used	Credit Available	Credit Carried Forward
School property tax credit	2,049,274	\$454,939,159	\$527,744,752	No carryforward
Taxes paid to other states credit	80,111	\$381,513,641	\$397,865,725	No carryforward
Manufacturing credit	8,873	\$331,665,979	\$688,908,015	\$357,242,036
Itemized deduction credit	584,238	\$296,036,590	\$615,072,765	No carryforward
Married couple credit	629,061	\$259,252,399	\$263,743,844	No carryforward
Earned income credit	193,799	\$87,723,239		Refundable
Veterans and surviving spouses property tax credit	15,660	\$57,928,139		Refundable
Homestead credit	80,049	\$38,160,656		Refundable
Agriculture credit	12,424	\$31,181,921	\$121,080,334	\$89,898,413
Additional child and dependent care credit	98,537	\$27,786,297	\$28,539,886	No carryforward

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## Reminder of some changes from 2024

Expanded additional child and dependent care credit: New in 2024 Schedule WI-2441

Organ Donor: Able to register to become an organ donor on page 4 of Form 1 (Schedule 3)

Expanded capital gains exclusion on sale of farm assets to a family member (See Publication 103)

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## Reminder

Wisconsin Identity Protection PIN

- Register for PIN under My Tax Account
- Tp (Not practitioner) must sign up for My Tax Account themselves

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## Wisconsin Donations

Donations made by taxpayers on returns filed between July 2023 through June 2024 equated

Fund	Donation Amount	Use of Donations
Endangered Resources Fund	\$254,846	Protect and manage native plant and animal species, natural communities, and other natural features
Cancer Research Fund	\$146,246	Donations divided equally between the Medical College of Wisconsin, Inc. and University of Wisconsin Carbone Cancer Center for cancer research projects
Veterans Trust Fund	\$92,899	Used by the Wisconsin Department of Veterans Affairs for the benefit of veterans or their dependents
Multiple Sclerosis Fund	\$53,697	Forwarded to the National Multiple Sclerosis Society for distribution to Wisconsin entities that operate health-related programs for people in Wisconsin with multiple sclerosis
Military Family Relief Fund	\$88,512	Used by the Wisconsin Department of Military Affairs to provide financial aid to eligible immediate family members of Wisconsin residents on active duty in the U.S. Armed Forces or National Guard
Second Harvest/Feed America Fund	\$149,008	Donations divided as follows: 65% to Feeding America Eastern Wisconsin (located in Milwaukee), 20% to Second Harvest Foodbank of Southern Wisconsin (located in Madison), and 15% to Feed My People (located in Eau Claire). The food banks provide food to food pantries, meal programs, shelters, and soup kitchens throughout the state.
American Red Cross Badger Chapter	\$101,653	Used by the American Red Cross for Wisconsin disaster relief
Special Olympics Wisconsin Fund	\$82,905	Forwarded to Special Olympics Wisconsin, Inc.

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## DOR Retirement Account Distributions Project

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Qualified Charitable Distributions  
60 days to appeal the notice  
Reply with documents

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## Questions??

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New Contact Info:  
June Norman  
Reilly, Penner & Benton LLP  
[jnorman@rpblp.com](mailto:jnorman@rpblp.com)  
414-271-7800

**Disclaimer:** Great effort has been made to report the most current, correct and clearly stated information. However, this outline is general in nature and not intended as legal, accounting or tax advice under Circular230.  
*That is: consult your tax advisor!*

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