ONE BIG BEAUTIFUL BILL BECOMES LAW: WHAT THE SWEEPING TAX REFORM MEANS FOR YOU AND YOUR BUSINESS

The U.S. tax code just underwent its most significant overhaul since 2017. On July 4, 2025, President Donald J. Trump signed the One Big Beautiful Bill (OBBB) into law, a far-reaching tax reform law that touches nearly every corner of the tax system, including estate and gift taxes, business deductions, international provisions, and individual income tax rules.

Some provisions apply as early as tax year 2025. Others begin in 2026 or later, making it important to understand the timing of each change. Here is a high-level look at what taxpayers should pay attention to.

Estate and Gift Taxes: A Bigger Exemption Made Permanent

The OBBB increases the federal estate, gift, and generation-skipping transfer (GST) tax exemption to $15 million per person (indexed for inflation) effective January 1, 2026. This change avoids the previously scheduled sunset that would have reduced the exemption to around $7 million.

Taxpayers with existing estate plans, particularly those involving trusts or lifetime gifting strategies, should revisit their plans to evaluate whether new opportunities exist under the expanded exemption.

Business Tax: Expensing, 199A, QSBS, and Opportunity Zones

The One Big Beautiful Bill makes several taxpayer-friendly business provisions permanent or more generous:

- **100% Bonus Depreciation** is restored and made permanent for qualified property placed in service after January 19, 2025.
- **Section 179 Expensing** is increased to a $2.5 million cap with a $4 million phaseout.
- **Section 199A (Qualified Business Income – QBI) Deduction** is made permanent, with expanded eligibility thresholds and a minimum deduction for small business owners with modest income.
- **Opportunity Zones** are renewed permanently, with rolling 10-year designations and added compliance requirements.
- **QSBS (Qualified Small Business Stock**) benefits are expanded, with a higher exclusion cap and a shorter holding period to qualify for partial gains exclusion.

Businesses will also benefit from broader R&D expensing options, changes to the business interest limitation, and permanent extension of the New Markets Tax Credit.

Individual Tax Provisions: Some Relief, Some Phaseouts

For individuals, the One Big Beautiful Bill makes the Tax Cuts and Jobs Act's income tax rate structure permanent and provides several new deductions and enhancements:

- **Standard deduction increases** remain and are further enhanced, with inflation adjustments.
- **Child Tax Credit** increases to $2,200 in 2026 and remains inflation-adjusted.
- **SALT (State and Local Tax) Cap rises** temporarily to $40,000 (2025 through 2029) for joint filers before dropping back to $10,000.
- **New above-the-line deductions** are added for tip income, overtime wages, and certain auto loan interest.
- A **new $6,000 senior deduction** is available from 2025 through 2028, subject to AGI limits.
- **Charitable deduction changes** include a modest above-the-line deduction and new floors for itemizers.

International Tax and Compliance

The One Big Beautiful Bill also overhauls international tax rules by renaming and restructuring GILTI (Global Intangible Low-Taxed Income, now NCTI), FDII (Foreign-Derived Intangible Income, now Foreign-Derived Deduction Eligible Income, or FDDEI), and BEAT (Base Erosion and Anti-Abuse Tax), while adjusting effective rates and deduction formulas. It reinstates the Section 958(b)(4) rule, expands deemed-paid foreign tax credits, and introduces a 1% excise tax on certain cross-border remittances.

For multinational businesses, these changes will require careful modeling, particularly with respect to foreign tax creditability, sourcing rules, and reporting obligations.

Other Noteworthy Items

- **ERC (Employee Retention Credit) Claims Denied after January 31, 2024**: Any COVID-era ERC claim filed after this date is barred, even if it would have been timely under prior law.
- **Excess Business Loss Limitation**: Made permanent and modified.
- **Affordable Care Act (ACA) Verification Requirements**: Tighter rules and loss of premium assistance for certain special enrollment circumstances.
- **Expanded Low-Income Housing and Rural Loan Incentives**: Targeted to promote investment in underserved areas.

What You Should Do Now

While many provisions do not kick in until 2026, now is the time to get ahead:

- Evaluate gifting strategies considering the expanded estate exemption.
- Review business depreciation schedules and capital investment plans.
- Confirm eligibility for the 199A deduction under the new thresholds.
- Consider re-evaluating trust structures, charitable planning, and cross-border operations in light of compliance and tax rate changes.

Implementation will unfold over the next several years. Guidance from Treasury and the IRS will continue to shape how these changes apply. Our team will continue to monitor developments and provide additional guidance as regulations roll out.

Discuss how these changes may affect your personal or business tax planning with us. Contact us, the O'Neil Cannon Tax Team, for assistance.

CHAMBERS AND PARTNERS RECOGNIZES FAUST AND O'NEIL CANNON FOR M&A EXCELLENCE

We're proud to announce that Attorney Pete Faust and O'Neil Cannon's mergers and acquisitions team have been recognized by *Chambers and Partners* as among the top in Wisconsin for M&A and general corporate law.

O'Neil Cannon is one of only seven Wisconsin firms ranked by *Chambers and Partners* in this category. Faust, the firm's president and managing shareholder, is one of just 23 Wisconsin attorneys to earn individual recognition for excellence in M&A.

In addition to Faust, O'Neil Cannon's mergers and acquisitions team includes Dino Antonopoulos, JB Koenings, Britany Morrison, Chad Richter, Jason Scoby, James DeJong, Cate Heerey, Michael Kennedy, Jason Meehan, Samuel Nelson, and Nancy Wilson.

Chambers and Partners, a London-based research firm, evaluates law firms and attorneys across 185 countries. Each year, more than 200 researchers conduct thousands of interviews with lawyers and clients to identify and rank the leading professionals in the legal field.

IMPORTANT UPDATE FOR PAYPAL AND VENMO USERS: IRS ADJUSTS 1099-K REPORTING THRESHOLDS

The IRS has issued new guidance on its phased rollout of 1099-K reporting requirements. This impacts millions of users of platforms like PayPal, Venmo, Etsy, and eBay. These updates build on the IRS's December 2023 announcement, where it delayed the implementation of a $600 reporting threshold due to concerns over taxpayer confusion and administrative burdens.

As we discussed in our December 2023 post, the IRS had originally planned to drop the 1099-K reporting threshold from $20,000 (and 200 transactions) to $600, but after industry pushback and legislative discussions, it introduced a gradual transition to ease compliance. The latest update confirms the reporting thresholds leading up to 2026.

Recap: What Happened in Late 2023?

In December 2023, we covered the IRS's decision to postpone the $600 reporting threshold in response to widespread concerns that taxpayers would erroneously receive 1099-Ks for personal transactions. The IRS acknowledged that transactions such as splitting a dinner bill or selling personal items at a loss could trigger unnecessary tax forms, creating confusion.

At that time, the IRS signaled its intention to transition to a $5,000 threshold for 2024, allowing time for further adjustments. The latest update now provides a clearer roadmap:

- **2024:** $5,000 reporting threshold
- **2025:** $2,500 reporting threshold
- **2026 and beyond:** $600 reporting threshold

The gradual approach aims to ensure that small business owners and independent contractors have time to adjust. It also gives third-party payment platforms time to refine their compliance procedures. However, the phased implementation is not without controversy. Many e-commerce platforms and lawmakers continue to push for a permanent threshold increase to prevent confusion.

Key Updates for 2024

Lower Thresholds, Same Reporting Rules
For tax year 2024 (filed in 2025), only business-related transactions that total $5,000 or more will trigger a 1099-K form. While this is a significant reduction from the prior $20,000/200 transaction threshold, the IRS has emphasized that:

- **Personal transactions remain exempt.** If you send money to a friend for dinner or receive a gift through Venmo, it should not be reported.
- **Business-related payments will be reported.** If you sell products or services and receive payments through PayPal, Venmo, or similar platforms, those payments may be subject to reporting once they exceed the $5,000 threshold.

No IRS Penalties for 2024 Non-Compliance by Platforms

To ease the transition, the IRS has confirmed it will not impose penalties on third-party platforms that fail to comply with backup withholding requirements during 2024. This provides companies like PayPal, Venmo, and Etsy additional time to adjust their reporting systems.

Future Thresholds: Plan Ahead

By 2026, even causal sellers will be impacted. For example, if you sell a used couch for $700 on Facebook Marketplace, you could receive a 1099-K—even if you sold at a loss. Selling personal items at a loss does not create taxable income. However, receiving a tax form could still create confusion and require additional documentation to correct.

Legislative Uncertainty and IRS Criticism

The phased implementation of the 1099-K threshold has not been without controversy. While many taxpayers welcome the delay, some lawmakers and tax professionals believe the IRS has overstepped its authority by postponing the $600 threshold beyond the timeline set by the American Rescue Plan Act of 2021.

- E-commerce platforms like eBay and Etsy continue to lobby Congress to raise the threshold permanently, arguing that the $600 rule will lead to unnecessary tax forms for millions of casual sellers.
- Lawmakers from both parties have introduced bills proposing thresholds of $5,000, $10,000, or even $20,000, but Congress has yet to pass a long-term fix.
- Political debates continue, with some lawmakers framing the delayed IRS rollout as a tax policy shift that could have major implications for future administrations.

Despite this uncertainty, taxpayers should prepare for the likelihood that the $600 threshold will take effect in 2026 unless Congress acts.

How This Affects You

Business Transactions & Purchase Price Allocation Matter

If you’re a small business owner, freelancer, or independent contractor, the 1099-K will report your total payments received through payment apps. However, not all funds received may be

taxable.

For example:

- If you earn $6,000 providing graphic design services through PayPal, that entire amount will be reported to the IRS and subject to self-employment tax.
- However, if $2,000 of that total was a personal gift from family, those funds should be flagged as personal transactions to avoid misclassification.

Properly labeling transactions as “personal” or “business” in your payment apps can prevent errors when 1099-Ks are issued.

Preventing Incorrect 1099-K Filings

If you receive a 1099-K in error (for instance, for personal transactions), you should:

- Request a corrected form from the issuing platform.
- Provide supporting documentation (e.g., receipts, bank statements) to clarify taxable vs. non-taxable transactions.

What Should Taxpayers Do Now?

- **Keep detailed records of all transactions** to ensure proper tax reporting. Many payment platforms allow transaction labeling, which can help prevent issues later.
- **Review any 1099-K forms you receive** and dispute any misclassified transactions.
- Consult a tax professional if you are a small business owner, freelancer, or independent contractor, as the new thresholds could impact your tax liability.

As we highlighted in our December 2023 article, the IRS is steadily reducing the 1099-K reporting threshold, requiring online sellers, freelancers, and small businesses to be more proactive in managing their tax reporting obligations. While personal transactions remain exempt, it’s essential to track income sources carefully to avoid potential IRS issues.

Meanwhile, Congress continues to debate long-term solutions, but taxpayers should prepare for the likelihood that the $600 rule will take effect in 2026 unless legislative action is taken.

If you need guidance on tax compliance or reporting strategies, contact us, the O’Neil Cannon Tax Team, for assistance.

REMINDER: WISCONSIN ELECTRIC VEHICLE

CHARGING STATION EXCISE TAX AND REGISTRATION REQUIREMENTS BEGIN JANUARY 1, 2025

Beginning January 1, 2025, Wisconsin will implement a new excise tax on electric vehicle (EV) charging stations under 2023 Wisconsin Act 121. If your business owns, operates, manages, or leases EV charging stations, here's what you should know:

Who Must Register: Any business delivering electricity through EV charging stations must register with the Wisconsin Department of Revenue using the Online Business Tax Registration system. This requirement applies regardless of whether:

- The charging station is open to the public or for private use.
- A fee is charged for the electricity.

Residential EV charging stations are exempt, except for those located at hotels.

Excise Tax Details:

- A 3-cent per kilowatt-hour tax applies to electricity delivered by:
  - Level 3 chargers.
  - Level 1 or Level 2 chargers installed on or after March 22, 2024.
- Exemptions:
  - Chargers installed before March 22, 2024.
  - Residential chargers (except those at hotels).

Filing and Payment Requirements: Registered businesses must file returns biannually, with reporting periods ending June 30 and December 31. Returns and payments are due by July 31 and January 31, respectively. Late filings or payments may result in penalties, interest, or other legal consequences.

Penalties for Non-Compliance: Failure to register, file returns, or pay the tax can result in severe penalties, including fines, interest, and possible legal action. Compliance is critical to avoid disruptions to your operations.

For more details, refer to Wisconsin Department of Revenue Publication 305, or contact us, the O'Neil Cannon Tax Team, for guidance tailored to your business.

WHAT TO EXPECT FOR TAX POLICY IN 2025 AFTER TRUMP'S ELECTION VICTORY

The recent election of Donald Trump as president signals potential changes to the U.S. tax code in 2025. Some anticipated adjustments align with Trump's proposals to extend or expand certain cuts from the Tax Cuts and Jobs Act of 2017, enacted during Trump's first term, as well as new measures aimed at encouraging economic growth and adjusting tax policies for individuals and businesses.

Individual Income Taxes: Lower Rates, Expanded Cuts Individual taxpayers may see a continuation of the lower income tax rates introduced by the TCJA, with support for making these rates permanent beyond their scheduled 2025 expiration. Trump has also proposed doubling the standard deduction, which would reduce taxable income for many households and retain current tax brackets, avoiding a return to higher, pre-2018 rates. Another key component includes the full reinstatement of the State and Local Tax deduction, which has been capped at $10,000 since the TCJA—an aspect that affected taxpayers in high-tax states.

Capital Gains and Investment Incentives Trump's proposed tax policies may include changes to capital gains taxes as a way to encourage investment. Currently, long-term capital gains are taxed at 15-20%, based on income. The administration may consider lowering these rates further and could revisit indexing capital gains to inflation, which would allow for an inflation-adjusted basis, potentially reducing taxable gains upon sale.

Corporate Tax Rates and Incentives Corporate tax policy may also be an area of focus, with proposals to reduce the corporate tax rate from 21% to 15% intended to enhance the competitiveness of U.S. businesses internationally. Other potential measures could include deductions or credits targeting manufacturing, research, and domestic investment.

Estate and Wealth Transfer Taxes For estate and wealth transfer taxes, Trump has indicated support for maintaining the higher exemption levels established under the TCJA. Currently, individuals can pass up to $13.61 million ($27.22 million for married couples) tax-free, with this exemption increasing to $13.99 million for individuals and $27.98 million for married couples in 2025. These exemption levels are set to decrease if the TCJA sunsets at the end of 2025. Keeping these thresholds in place would help limit estate tax liabilities for high-net-worth individuals.

Looking Ahead Trump's tax agenda reflects an approach geared toward a low-tax environment for individuals, investors, and businesses, emphasizing economic growth and domestic investment. Taxpayers should stay informed on policy developments and consult with tax advisors on potential implications for financial planning and business strategies.

The O’Neil Cannon Tax Team will monitor these developments and provide updates as any proposed tax changes become more concrete. We encourage you to reach out with any questions about how these potential reforms might affect you.

SUPER LAWYERS RECOGNIZES 30 O’NEIL CANNON ATTORNEYS

Each year, *Super Lawyers* surveys the State of Wisconsin’s 15,000 attorneys and judges, seeking the State’s top attorneys. Recently, *Super Lawyers* published its lists for 2024, which include the Top 10 Attorneys in Wisconsin, Top 50 Attorneys in Wisconsin, Top 25 Attorneys in Milwaukee, Super Lawyers (consisting of the top 5% of attorneys in Wisconsin), and Rising Stars (consisting of attorneys who are 40 years old or younger or who have been in practice for 10 years or less).

Thirty of our attorneys were recognized by *Super Lawyers*, which has referred to the firm as “the Milwaukee mid-sized powerhouse.” Those attorneys are the following:

- Emily Behn:
    - Rising Star
- Nick Chmurski:
    - Rising Star
- Doug Dehler:
    - Super Lawyer
- Jim DeJong:
    - Super Lawyer
- Seth Dizard:
    - Top 50 Attorneys in Wisconsin
    - Top 25 Attorneys in Milwaukee
    - Super Lawyer
- Pete Faust:
    - Top 50 Attorneys in Wisconsin
    - Top 25 Attorneys in Milwaukee
    - Super Lawyer
- John Gehringer:
    - Super Lawyer
- Joseph Gumina:
    - Super Lawyer
- Jessica Haskell:
    - Rising Star
- Mike Kennedy:
    - Rising Star

- Grant Killoran:
    - Super Lawyer
- Dean Laing:
    - Top 10 Attorneys in Wisconsin
    - Top 50 Attorneys in Wisconsin
    - Top 25 Attorneys in Milwaukee
    - Super Lawyer
- Trevor Lippman:
    - Rising Star
- Greg Lyons:
    - Super Lawyer
- Patrick McBride:
    - Super Lawyer
- Jason Meehan:
    - Rising Star
- Britany Morrison:
    - Rising Star
- Joe Newbold:
    - Super Lawyer
- Erica Reib:
    - Rising Star
- Chad Richter:
    - Super Lawyer
- Ryan Riebe:
    - Rising Star
- John Schreiber:
    - Super Lawyer
- Jason Scoby:
    - Super Lawyer
- Steve Slawinski:
    - Super Lawyer
- Kelly Spott:
    - Rising Star
- Christa Wittenberg:
    - Rising Star

Super Lawyers is a national rating service that rates attorneys in all 50 states. The selection process utilized by *Super Lawyers* is multi-phased and includes independent research, peer nominations, and peer evaluations. One court recently had this to say about *Super Lawyers*:

"[T]he selection procedures employed by [*Super Lawyers*] are very sophisticated, comprehensive, and complex. It is abundantly clear . . . that [*Super Lawyers* does] not permit a lawyer to buy one's way onto the list, nor is there any requirement for the purchase of any product for inclusion in the lists or any quid pro quo of any kind or nature associated with the evaluation and listing of an attorney or in the subsequent advertising of one's inclusion in the lists."

We are proud to be one of the few firms in Wisconsin that had more than 50% of its attorneys receive recognition by *Super Lawyers.*

2025 IRS TAX ADJUSTMENTS: WHAT YOU NEED TO KNOW

The IRS has released inflation adjustments for the 2025 tax year, bringing changes to tax brackets, deductions, and credits that may affect taxpayers across income levels. Here's a quick overview of the updates:

Income Tax Brackets

Tax brackets will shift higher to accommodate inflation, helping prevent "bracket creep." For example, the 37% top rate now applies to incomes over $626,350 for individuals and $751,600 for married couples filing jointly. Other rates are as follows:

- 10% for incomes up to $11,925 ($23,850 for married couples)
- 12% for incomes over $11,925 ($23,850 for married couples)
- 22% for incomes over $48,475 ($96,950 for married couples)
- 24% for incomes over $103,350 ($206,700 for married couples)
- 32% for incomes over $197,300 ($394,600 for married couples)
- 35% for incomes over $250,525 ($501,050 for married couples)

Standard Deduction Increases

For 2025, the standard deduction increases to $15,000 for single filers and married individuals filing separately, $30,000 for married couples filing jointly, and $22,500 for heads of households. This adjustment provides taxpayers with additional income shielded from taxation.

Alternative Minimum Tax (AMT) Exemption Amounts

The AMT exemption for unmarried individuals rises to $88,100, phasing out at $626,350. For married couples filing jointly, the exemption is $137,000, with the phaseout beginning at $1,252,700.

Earned Income Tax Credits (EITC)

The maximum EITC for taxpayers with three or more qualifying children is $8,046, up from $7,830 in 2024. Adjustments for income thresholds and phaseouts are also in place for other

qualifying taxpayer categories.

Qualified Transportation and Health Benefits

Qualified Transportation Fringe Benefit: The monthly limit for qualified transportation and parking expenses increases to $325.

Health Flexible Spending Arrangements (FSAs): The maximum contribution rises to $3,300, with a maximum carryover of $660.

Medical Savings Accounts (MSAs)

For individuals with self-only coverage, the minimum annual deductible increases to $2,850, with a maximum of $4,300. Out-of-pocket expenses for these plans rise to $5,700. For family coverage, the deductible range is $5,700 to $8,550, and the out-of-pocket maximum is $10,500.

Foreign Earned Income Exclusion

The foreign earned income exclusion will increase to $130,000 for tax year 2025, up from $126,500 in 2024.

Estate and Gift Tax Exemptions

Estate Tax: The estate tax exemption increases to $13,990,000 for decedents passing in 2025, up from $13,610,000 in 2024.

Gift Tax: The annual gift exclusion rises to $19,000 in 2025.

Adoption Credit

The adoption credit for a child with special needs increases to $17,280, reflecting higher allowable adoption expenses.

These adjustments aim to help taxpayers manage inflationary effects and offer greater tax savings for 2025. As always, consult our O’Neil Cannon Tax Team for advice on how these changes may impact your specific financial situation.

O’NEIL CANNON SERVES AS LEGAL ADVISOR TO ENGENDREN CORPORATION IN ITS SALE TO CUMMINS INC.

O’Neil Cannon advised Engendren Corporation in its recent sale to Cummins Inc., a global powertrain manufacturer. Over the past couple of years, Engendren has experienced tremendous growth, and it looks forward to continued advancement and expansion as Cummins invests in improving Engendren’s capabilities. This support will further enable Engendren to provide world class cooling solutions for all its customers. Engendren is part of the Cummins Power Systems Business but will continue to operate independently.

The O’Neil Cannon deal team was led by Chad Richter with assistance provided by Pete Faust, Britany Morrison, Sam Nelson, Erica Reib, and Nick Chmurski.

WISCONSIN EXPANDS CHILD AND DEPENDENT CARE TAX CREDIT

Wisconsin families received a significant boost with the recent signing of Assembly Bill 1023. The bill was signed into law by Governor Tony Evers on Monday, March 4, 2024. This groundbreaking legislation, effective immediately for the 2024 tax year, expands the state’s child and dependent care tax credit from 50% to 100% of the federal credit, potentially providing substantial relief to families grappling with childcare expenses.

The amended law not only doubles the benefit percentage, but it also raises the cap on allowable childcare expenses, allowing taxpayers to claim up to $10,000 for one dependent and $20,000 for two or more dependents. Governor Evers emphasizes that this change will result in a maximum credit ranging from $2,000 to $3,500 for one dependent and $4,000 to $7,000 for two or more dependents, offering tangible financial support to Wisconsin families.

Following the rejection of the remaining components of a Republican-backed tax cut package, the political terrain surrounding tax cuts and credits has garnered significant attention. Last week, Governor Evers rejected three tax-cutting proposals: AB 1020, aimed at expanding the state’s second-lowest income tax bracket; AB 1021, which sought to increase the retirement income exclusion to $75,000 for individuals; and AB 1022, which proposed raising the maximum income tax credit for married couples from $480 to $870.

Despite being the sole tax bill signed by Governor Evers among several sent by the Republican-led legislature, the impact of this legislation is far-reaching. The changes will affect more than 110,000 taxpayers, with an average benefit of over $656, according to the governor's office.

For questions or further information relating to the Wisconsin Child and Dependent Care Tax Credit, please contact Attorney Britany E. Morrison.

O'NEIL CANNON SERVES AS LEGAL ADVISOR TO GUETZKE AND ASSOCIATES IN ITS SALE TO RYAN FIREPROTECTION, INC.

O'Neil Cannon advised Guetzke and Associates in its recent sale to Ryan Fireprotection, Inc. Established in 1977, Guetzke and Associates is the premier provider of fire alarm and detection systems in Southeast Wisconsin. Its services include engineering, design, installation, service, inspections, and monitoring. Ryan Fireprotection is one of the largest fire protection companies in the Midwest providing a full range of high-quality, custom fire protection systems. As Ryan Fireprotection stated, "We can't wait to combine our efforts to Protect. Prevent. Preserve!"

The O'Neil Cannon deal team was led by Chad Richter with assistance provided by Britany Morrison, Sam Nelson, and Erica Reib.