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CELEBRATING 55 YEARS

FOS NEWS - *Our clients come first*

Editor: Diane Slomowitz

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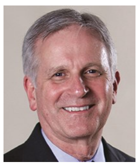
2017 — A YEAR OF GOOD WORK



By: Bill Soderstrom

I first became the Managing Partner of FOS in 2002.

Being the managing partner of a law firm is, I have often maintained, like herding gerbils; everybody is going to do what they like to do, unless you can convince them otherwise.

Fortunately, we have had great success here in keeping everyone moving toward common goals.

This year, **Fran Hughes** became co-managing partner with me, and he will become the sole managing partner at the end of 2018.

Fran and I have worked together on virtually every management issue for years, so he is well ready to take this step.

One of the joys of being managing partner is watching our younger attorneys blossom.

Laurna Kinnel, who graduated from law school in the darkest days of the economic collapse, is now a partner, is now on the *Super Lawyers* list, and was elected this year to be President of the 160 member Milwaukee Young Lawyers Association.

What an incredible year of accomplishments for her.

Jake Manian, whom we hired after five years' experience in the Milwaukee County District Attorney's office and is the partner who heads our white collar practice, had two extensive jury trials in 2017, including a marathon in federal court, and a lengthy white collar trial resulting in our client's exoneration.

He was greatly assisted at both trials by one of our new associates, **Lauren Maddente**, who without a doubt received more jury trial experience in her first year than many lawyers receive during their careers.

Mike Koutnik was named in 2017 an Up and Coming Lawyer by the *Wisconsin Law Journal*, and coupled that with being named a Super Lawyer for 2017.

Mike has only been with us for a little short of 4 years, but his real estate practice has already taken off.

FOS has been in the middle of the enormous building explosion in the Milwaukee area, and Mike has been participating in each of those projects.

And I have to mention the extraordinary **Bailey Larsen**. Bailey came to our firm as a scholarship soccer athlete at UWM, and proceeded to get her law degree and CPA before joining FOS.

Continued on page 2

KOUTNIK NAMED "UP AND COMING" LAWYER

FOS congratulates associate **Mike Koutnik** for being named one of the 2017 Up and Coming Lawyers by the *Wisconsin Law Journal.*

The *Wisconsin Law Journal's* video interview and print article about Mike can be found via FOS's website, at:

http://www.foslaw.com/news-views/koutnik-up-and-coming-lawyer/

FOS shareholder **Laurna Kinnel** received the "Up and Coming" award in 2015.

FOS shareholder **Jake Manian** was so honored in 2014.

PRACTICE CORNER: DECEMBER TAX TIPS

With the possibility of Tax Reform effective next year, year-end planning is critical. Consider some year-end tax tips.

- Pay expected Wisconsin tax balances before year-end via an estimated tax payment. State taxes may not be deductible next year.
- Pay property taxes before year end.
- Consider making 2018 charitable contributions before this year end. With the proposed larger standard deduction, you might not claim itemized deductions in 2018.

Continued on page 2

NEW PARTNERSHIP TAX AUDIT RULES UP-END PRACTICES

By: Allan T. Young

Partnerships and LLCs taxed as partnerships do not pay income tax.

Rather, the taxable income of the company passes through to its partners who report the income on their tax returns and pay the tax.

Likewise, when the IRS audits a partnership and makes an adjustment, it must also audit the tax returns of the partners and assess the partners to collect the tax.

New federal partnership tax audit rules turn this concept on its head.

Under the new rules, when the IRS audits a partnership and makes an adjustment, the partnership itself must pay the tax.

The new rules apply to partnership tax returns filed for years beginning after December 31, 2017.

The new rules are problematic when the members of a partnership change.

For example, if a 2018 partnership tax return is adjusted during an audit in 2021 and a partner sold his interest to a new partner in 2020, the new partner in effect bears the tax liability of the old partner.

Fortunately, there are a couple of elections available to avoid this harsh result.

Certain partnerships may elect to "opt out" of the new rules.

To be eligible, a partnership must issue less than 100 Schedules K-1 for the year.

In addition, partners may only be individuals, estates, C corporations and S corporations.

If a partner is a partnership or a trust, a partnership cannot elect to "opt out."

Another alternative is for the partnership to "push out" the audit adjustments to the partners who were partners for the tax year that was audited. Short time limits apply to this alternative.

In addition, a 2% penalty interest charge is added to the interest on the underpaid tax.

Under the new rules, a partnership must designate a Partnership Representative to represent the partnership in a tax audit.

The Partnership Representative will have sole authority to bind the partnership and all of the partners in the audit.

A Partnership Representative is designated on the partnership's annual tax return.

If the partnership does not designate a Partnership Representative, the IRS will when it audits.

All LLCs and partnerships should review the new partnership tax audit rules now and amend their LLC operating agreements and partnership agreements.

Key items to address include:

- Whether transfer restrictions should be imposed to guarantee eligibility to "elect out."
- Whether and when a "push out" election should be made.

Continued on page 3

Good Work, continued from page 1

Bailey already had two adorable twin girls with her husband Danny when she joined us, and added one more, a boy, in 2017.

I expected to see the screws come out of her head with all that activity, but true to form she completed her maternity leave and roared back to help support **Al Young** and **Greg Ricci** in our tax group.

We have tried hard to make FOS a family friendly operation, and seeing Bailey excel here while raising her kids has been wonderful.

All of these young people provide incredible energy and fun to FOS (let alone that their computer skills put us oldies to shame!).

And their contributions have become enormous, such that FOS should be in great shape when Fran takes over in 2019.

Tax Tips, continued from page 1

- Accelerate medical expenses into 2017. They may not be deductible next year.
- If not subject to the AMT, pre-pay tax preparation fees. They may not be deductible next year.
- Consider maxing retirement account contributions to defer income recognition.
- Consider selling investments at a loss to offset anticipated capital gains.
- Take required minimum IRA distributions.
- Use balances in "use it or lose it" flex spending accounts.

RENTAL WEATHERIZATION PROGRAM REPEALED FOR 2018

By: Lauren Maddente

You've decided to buy an investment property and pull in some rental income. Maybe a trendy bungalow in Wauwatosa or a four-family near Marquette's campus.

You're wary, however, of the hoops you must jump through, including making sure whatever property you buy meets the weatherization laws. Inspections, delays, extra costs. It doesn't seem worth it.

Good news—beginning January 1, 2018, you have one less hoop to jump through before closing on your dream rental property.
2017 Wisconsin Act 59 repeals Wisconsin's Rental Unit Energy Efficiency requirements for deeds recorded on or after January 1, 2018.

The now repealed law required sellers or buyers of certain rental property to meet prescribed energy efficiency standards.

Typically, compliance with the law resulted in additional time and costs, such as hiring an inspector to determine whether the property was up to code or needed additional insulation.

The law arose amid the energy crisis in the 1970s, when states across the country revised and enacted laws to increase energy efficiency standards.

The law, while well-intentioned, imposed additional requirements on parties to rental real estate transactions.

Since the law's inception, the state's energy efficiency and building codes have improved, arguably reducing the need for the weatherization program.

What does the law's repeal mean for current buyers or sellers of income residential property?

More flexibility, and the freedom to negotiate what, if any, improvements should be required before the deal can close.

The law's repeal could increase a seller's bargaining power, since sellers will not have to comply with the law.

A buyer, on the other hand, can still seek to require an inspection and/or weatherization improvements by the seller.

This makes the precise terms of the offer to purchase and any counter-offer even more important as to weatherization issues.

It is unclear whether obligations incurred under the repealed law (pre-January 1, 2018 documents) must be satisfied given the law's repeal.

The courts will likely decide that issue.

Tax Audit Rules, Continued from page 2

- Designation of the Partnership Representative and limits on his authority.
- If a partnership itself pays tax after an audit, whether the partners for the year audited should indemnify the partnership for all taxes, interest and penalty paid.
- If a partnership itself pays tax after an audit, whether special allocation of income or deduction should be made to minimize distortions among the partners.

As of this writing, the IRS has not issued final regulations interpreting the new rules.

They are expected soon.

Contact your FOS attorney with questions regarding the audit rules.

FOS can also provide guidance in applying the new rules to your partnership or LLC.

FOS LAWYERS ARE SUPER!

FOS congratulates FOS shareholder **Matt O'Neill**, and FOS of counsel **Ken Barczak**, for being named to the 2017 Super Lawyers list.

Matt received special recognition on the list of Super Lawyers Wisconsin "Top 50."

FOS also congratulates shareholders **Jake Manian** and **Laurna Kinnel**, and associate **Mike Koutnik**, for being named to the Super Lawyers Rising Stars list.

All five are formally recognized in *Milwaukee Magazine's* December, 2017 *Super Lawyer* edition.

This is the twelfth year Matt and Ken have achieved this honor, the third year for Jake, and the first year for Laurna and Mike.

FOX O'NEILL SHANNON S.C.

622 N. Water Street
Suite 500
Milwaukee, WI 53202

Phone: 414-273-3939
Fax: 414-273-3947
www.foslaw.com

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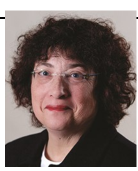
IN THIS ISSUE

SCAMS GO "OLD SCHOOL" TOO—WATCH YOUR MAILBOX!



By: Diane Slomowitz

What with so much personal and business communications occurring by email, my mailbox has been feeling pretty lonely lately.

So when I recently received an actual mailed letter, I opened it with great expectations and read it very carefully.

Good thing I did, because the letter was a scam.

Had I not been careful, I could have "voluntarily" given my personal information, my money, or both to a thief.

The letter and its envelope seemed professional enough, with the sender's letterhead, street address, email address and telephone number.

But *two locations* were listed, Los Angeles and Hong Kong. While multi-national companies can have many offices, this was Red Flag No. 1.

Red Flag No. 2 was that the sender somehow knew that I have a brother, which a simple Google search could reveal.

Red Flag No. 3 was that the sender got *only part* (Al) of my brother's name (Alan) right.

Red Flag No. 4 was the sender's announcement that someone with part of my brother's name died and left an estate of more than $8,000,000!

Apparently I could make a lot (but not a specified amount) of money if I would contact the sender whose client was the deceased with a massive estate —maybe my long lost relative!

I would receive details when I contacted the sender through the listed number (toll-free even) or email. My privacy, of course, would be "respected."

My apparent good fortune was Red Flag No. 5. If an offer appears too good to be true, it usually is.

Sad at the money I would never have, I tossed the letter in the garbage.

And then I retrieved it, to remind myself that scams do not always come from cyberspace.

Sometimes they come with a stamp.