



FEDERAL TAX WEEKLY

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IRS Releases 2025 Inflation-Adjusted Tax Tables, Standard Deduction, AMT and Other Amounts

Rev. Proc. 2024-40; IR-2024-273

The IRS has released the annual inflation adjustments for 2025 for the income tax rate tables, plus more than 60 other tax provisions. The IRS makes these cost-of-living adjustments (COLAs) each year to reflect inflation.

2025 Income Tax Brackets

For 2025, the highest income tax bracket of 37 percent applies when taxable income hits:

- \$751,600 for married individuals filing jointly and surviving spouses,
- \$626,350 for single individuals and heads of households,
- \$375,800 for married individuals filing separately, and
- \$15,650 for estates and trusts.

2025 Standard Deduction

The standard deduction for 2025 is:

- \$30,000 for married individuals filing jointly and surviving spouses,
 - \$22,500 for heads of households, and
 - \$15,000 for single individuals and married individuals filing separately.
- The standard deduction for a dependent is limited to the greater of:
- \$1,350, or
 - the sum of \$450, plus the dependent's earned income.

Individuals who are blind or at least 65 years old get an additional standard deduction of:

- \$1,600 for married taxpayers and surviving spouses, or
- \$2,000 for other taxpayers.

Alternative Minimum Tax (AMT) Exemption for 2025

The AMT exemption for 2025 is:

- \$137,000 for married individuals filing jointly and surviving spouses,
- \$88,100 for single individuals and heads of households,
- \$68,500 for married individuals filing separately, and
- \$30,700 for estates and trusts.

The exemption amounts phase out in 2025 when AMTI exceeds:

- \$1,252,700 for married individuals filing jointly and surviving spouses,
- \$626,350 for single individuals, heads of households, and married individuals filing separately, and
- \$102,500 for estates and trusts.

Expensing Code Sec. 179 Property in 2025

For tax years beginning in 2025, taxpayers can expense up to \$1,250,000 in section 179 property. However, this dollar limit is reduced when the cost of section 179 property placed in service during the year exceeds \$3,130,000.

Estate and Gift Tax Adjustments for 2025

The following inflation adjustments apply to federal estate and gift taxes in 2025:

- the gift tax exclusion is \$19,000 per donee, or \$190,000 for gifts to spouses who are not U.S. citizens;
- the federal estate tax exclusion is \$13,990,000; and
- the maximum reduction for real property under the special valuation method is \$1,420,000.

2025 Inflation Adjustments for Other Tax Items

The maximum foreign earned income exclusion amount in 2025 is \$130,000.

The IRS also provided inflation-adjusted amounts for the:

- adoption credit,
- earned income credit,
- excludable interest on U.S. savings bonds used for education,
- various penalties, and
- many other provisions.

Effective Date of 2025 Adjustments

These inflation adjustments generally apply to tax years beginning in 2025, so they affect most returns that will be filed in 2026. However, some specified figures apply to transactions or events in calendar year 2025.

IRS Proposes Regs and Provides QM and PIN Rules for Energy Efficient Home Improvement Credit

Proposed Regulations, NPRM REG-118264-23; Rev. Proc. 2024-31; IR-2024-280

The IRS released proposed regulations that would govern several aspects of the energy efficient home improvement credit. In addition, Rev. Proc. 2024-31 details requirements for qualified manufacturers to enter into agreements with the IRS and provide identification numbers for items of specified property.

The regulations are proposed to apply to tax years ending after the final regulations are published in the Federal Register. However, a taxpayer may rely on the proposed regulations for specified property placed in service before that date, provided the taxpayer follows the proposed regulations in their entirety and in a consistent manner. The proposed regulations for specified property largely mirror Rev. Proc. 2024-31.

The IRS also requested comments on the proposed regs.

Definitions in Proposed Regulations

Proposed Reg. §1.25C-1 provides definitions that reiterate those in the statute. However, the proposed regs use “enabling property” to refer to improvement to and replacements of a panelboard, sub-panelboard, branch circuits, or feeders described in Code Sec. 25C(d)(2)(D). The property where enabling property is installed is enabled property. Enabling property is generally exempt from the requirements for specified property discussed below.

The proposed regs define the Energy Star and International Energy Conservation Code standards that several types of property must satisfy to qualify for the credit. The proposed regs also determine a

biomass stove’s thermal efficiency by reference to that of a wood stove.

Qualified property is placed in service when it is placed in a condition or state of readiness and availability for its specifically assigned function. The IRS expects this will usually be the date the property is installed. To restrict the credit to new property, the taxpayer must be the person who original places the qualified property in service.

General Rules in Proposed Regs

Proposed Reg. §1.25C-2 provides general rules for the credit, including its calculation and limitations. These rules are largely drawn from the statute. With respect to the credit for home energy audits, taxpayers may continue to rely on

REFERENCE KEY

USTC references are to **U.S. Tax Cases**
Dec references are to **Tax Court Reports**

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sections 3 through 6 of Notice 2023-59, I.R.B. 2023-34, 564.

A taxpayer generally makes an expenditure for an item of property when the original installation of the item is completed. However, expenditures made in connection with the reconstruction of or an addition to a dwelling unit generally are made when the taxpayer's use of the reconstructed or post-addition dwelling unit begins. Taxpayers must maintain records that itemize the amount paid or incurred for each item of qualified property in connection with the reconstruction or addition.

The proposed regs clarify that the credit applies only to an existing residence. Expenditures made in connection with the original construction of a dwelling unit are not eligible. The proposed regs also spell out the application of the credit when multiple taxpayers own the credit property or occupy the home benefited by the property. An individual tenant-stockholder share of expenditures made by a cooperative housing corporation are generally based on that individual's share of the CHC stock. Condominium owners may use any reasonable method to determine their shares of qualified expenditures.

Proposed Regs for Installing Enabling and Enabled Property

Proposed Reg. §1.25C-3 provides a general rule and a safe harbor for enabling property that must be installed in conjunction with and enable the installation and use of enabled property. Under the general rule, enabling property is installed in conjunction with enabled property if it was installed in the same tax year as the enabled property. Under the safe harbor, if enabling property and enabled property are installed in consecutive tax years, the taxpayer may treat both types of property as installed in the later of those years (the deemed taxable year).

A taxpayer that does not use the safe harbor cannot claim the credit for enabling property installed in the year after the enabled property was installed. However, the taxpayer might be able to claim the credit for the enabled property.

Treasury Security Rate Set for Computing Current Plan Liability for October 2024

For pension plan years beginning in October 2024, the IRS has released, and

- the 30-year Treasury bond weighted average interest rate,
- the unadjusted segment rates,
- the adjusted rates, and
- the minimum present value segment rates.

Corporate Bond Rate

- 5.05 for the first segment rate,
- 5.31 for the second,
- and 5.37 for the third.

October 2024 Adjustment Segment Rate

The October 2024 adjusted segment rates for plan years beginning in 2023 are:

- 5.05 for the first segment rate,
- 5.31 for the second segment,
- and 5.74 for the third segment.

The rates for plan years beginning in 2024 are:

- 5.05 for the first segment rate,
- 5.31 for the second segment,
- and 5.59 for the third segment.

The rates for plan years beginning in 2025 are:

- 5.05 for the first segment rate,
- 5.31 for the second segment,
- and 5.50 for the third segment.

30-Year Treasury Weighted Average

For plan years beginning in October 2024, the 30-year Treasury weighted average securities rate is 3.67, with a permissible range of 3.30 to 3.85 under Code Sec. 431(c)(6)(E)(ii)(I).

The rate of interest on 30-year Treasury securities for September 2024 is 4.04 percent.

The minimum present value segment rates under Code Sec. 417(e)(3)(D) for September 2024 are:

- 4.17 for the first segment rate,
- 4.76 for the second,
- and 5.25 for the third.

Notice 2024-76

Comments Requested and Public Hearing Scheduled for Proposed Regulations

Comments on the proposed regs must be received within 60 days after they are published in the Federal Register, which is scheduled for October 25, 2024 (so comments would be due by December 24, 2024). Commenters are strongly

encouraged to submit comments electronically via the Federal eRulemaking Portal at <https://www.regulations.gov> (indicate IRS and REG-118264-23). Paper comments may also be mailed to the IRS.

A public hearing on the regs is scheduled for January 21, 2025, at 10 a.m. ET. Requests to speak must be received within 60 days after the regs are published in the Federal Register, and requests to attend

must be received by 5 pm ET on January 17, 2025. Requests for special assistance for people with disabilities are due on January 16, 2025.

QMs and PIN Requirements for Specified Property

The energy efficient home improvement credit does not apply to any item of specified property placed in service after December 31, 2024, unless the item is produced by a qualified manufacturer (QM) and the taxpayer's return for the credit year includes the item's qualified product identification number (PIN). Specified property is qualified energy property described in Code Sec. 25C(d)(2), exterior windows, and exterior doors.

Rev. Proc. 2024-31 provides the procedures and requirements that a manufacturer must follow to become a QM. Proposed Reg. §1.25C-4 mirrors these rules.

QM's Registration and Agreement for Specified Property

To become a QM, a manufacturer of specified property must enter into an agreement with the IRS and the IRS must validate the agreement. If a manufacturer submits its required registration, application and agreement by April 30, 2025, and the IRS validates the agreement, the manufacturer will be deemed to have been a QM as of December 31, 2024. Thus, any specified property produced by that manufacturer on or after January 1, 2025, and on or before April 30, 2025, will be deemed to have been produced by a QM.

An individual representative of the manufacturer who is authorized to bind the manufacturer in matters involving agreements with the IRS must register the manufacturer through the IRS Energy Credits Online Portal and provide the required information to complete the manufacturer's application and enter into an agreement with the IRS. The authorized representative will need an account on <https://www.irs.gov>.

IRS Announces Launch of Pass-Through Compliance Unit in LB&I for Enhanced Audits

The IRS has launched a new pass-through field operations unit within its Large Business and International (LB&I) division. This unit is aimed to boost audits of pass-through entities, including partnerships, S corporations and trusts. The unit streamlines workflows, enhances compliance, increases fairness, and targets complex tax arrangements of higher-income groups and large entities. Further, the unit aligns with the IRS's enforcement strategy, utilizes Inflation Reduction Act funding, and enhances expertise from LB&I and Small Business/Self-Employed (SB/SE) divisions. Additionally, the IRS launched audits of 76 large partnerships with average assets exceeding \$10 billion. The IRS also established the new IRS associate office focused on partnerships, S corporations, trusts and estates.

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If multiple manufacturers produce a single item of specified property, only one manufacturer may be that item's QM. The manufacturers may agree as to which one is the QM, and the QM must retain a copy of the agreement in its books and records. As discussed below, enabling property is exempt from the PIN requirements, but a manufacturer that produces enabling property must still follow the registration, application, and written agreement process.

The IRS reviews the QM's application and agreement and then validates it, rejects it, or requests additional information. When it accepts an agreement, the IRS issues a unique four-character QM Code to the manufacturer through the IRS Energy Credits Online Portal. The IRS will publish a list of QMs and the dates that their applications were accepted on the IRS website.

The IRS may suspend or revoke a QM registration if the IRS concludes that the manufacturer is not in compliance with the applicable requirements. The IRS will notify the manufacturer's authorized representative that the QM registration has been suspended or revoked. The list of QMs published by the IRS will be updated to reflect suspensions and revocations. A manufacturer may request administrative review of an IRS rejection or revocation of its applicable and agreement. A QM may voluntarily discontinue its QM status by sending a secure message to the IRS through the IRS Energy Credits Online Portal and filing a final QM Report

PIN Requirements for Specified Property

For all specified property placed in service during calendar year 2025, and for enabling property placed in service after 2025, a QM and the taxpayer may use the manufacturer's QM code to satisfy the PIN requirement. Alternatively, the QM may assign and the taxpayer may comply with the PIN procedures discussed below.

To satisfy the PIN assignment requirement, a QM must assign a 17-character PIN unique to each item of specified property. The first four characters are the manufacturer's QM code, the next character is a product code from a list the IRS will provide, and the last 12 characters are a unique number provided by the QM for the particular item.

To satisfy the PIN labeling requirement, a QM must label each item of specified property with a PIN. The QM may decide how to label the product by, for instance, affixing a label to the product or its packaging, etching the number on the product, including a document with the number inside the packaging, or providing a website where taxpayers may obtain a PIN.

The QM generally must provide the PIN to the taxpayer at the time the product is placed in service, or when the taxpayer requests the PIN. PINs may be provided through the mail, online, through email, or other means of electronic delivery. However, a QM may not set prerequisites

for receiving a PIN that are not required to verify the purchase of the specified property, such as requiring taxpayers to sign up for promotional emails, texts, or other communications.

QM's Written Reports for Specified Property

A QM generally must submit periodic reports (QM Reports) to the IRS electronically through the IRS Energy Credits Online Portal. Required information is described in section 7 of Rev. Proc. 2024-31. Each QM Report must include a declaration as to the accuracy of the information signed by an individual authorized to bind the QM in matters involving agreements with the IRS. No QM report is required for enabling property.

For items of specified property that leave a QM's control and enter the stream of commerce during calendar year 2025, only one QM Report is required, and a

IRS Reminds Tax Professionals to Renew PTINs for 2025 Tax Season

The IRS has announced that Preparer Tax Identification Number (PTIN) renewals for 2025 are now being processed. The tax professionals must renew their PTINs before December 31, 2024. The fee to renew or obtain a PTIN is \$19.75. Failure to renew could result in penalties. Further, tax professionals can renew PTINs online in about 15 minutes or submit a paper Form W-12, IRS Paid Preparer Tax Identification Number (PTIN) Application and Renewal, which may take up to six weeks. The IRS offers first-time PTIN applicants an easy online application process. Moreover, non-credentialed tax preparers are also encouraged to participate in the IRS Annual Filing Season Program by completing 18 hours of continuing education courses from IRS-approved CE providers by December 31, 2024. Additionally, enrolled agent, who have unlimited rights to practice before the IRS, must also renew their PTINs annually to maintain their active status.

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QM must file that report by January 15, 2026.

For items of specified property produced on or after January 1, 2026, QM Reports are due by the fifteenth day of the calendar month following the end of the

calendar quarter in which an item of specified property leaves the QM's control and enters the stream of commerce (January 15, April 15, July 15, and October 15). A QM may submit QM Reports more frequently.

IRS Finalizes Eligibility Requirements, Special Credit Recapture Rule for Advanced Manufacturing Investment Credit for Semiconductors

T.D. 10009; IR-2024-275

The IRS has issued final regulations to implement eligibility requirements and a special 10-year credit recapture rule for the advanced manufacturing investment credit (the semiconductor credit) established by the Creating Helpful Incentives to Produce Semiconductors (CHIPS) Act of 2022.

The final regulations largely adopt proposed and temporary regulations issued in March and June of 2023 (NPRM REG-120653-22 and T.D. 9975 and NPRM REG-105595-23) with certain revisions.

The final regulations are effective on December 23, 2024, and apply to property placed in service after December 31, 2022, and during a taxable year ending on or after October 23, 2024.

Eligibility Requirements

The final regulations address a number of eligibility requirements and apply long-established credit mechanics and procedures common to all investment tax credits (including the section 48D credit). In addition, the regulations address the credit's eligibility requirements; the taxpayer's basis in credit property; the credit for progress expenditures; qualified property and original use; advanced manufacturing facilities for manufacturing semiconductors and semiconductor manufacturing equipment; and beginning of construction. Finally, the definitions of "semiconductor manufacturing," "semiconductor manufacturing equipment," and "significant transaction" are clarified under the final regulations.

Under the final regulations, a taxpayer's qualified investment is the basis of qualified property placed in service by the taxpayer during the tax year that is part of an advanced manufacturing facility. The qualified investment is increased by qualified progress expenditures made after August 9, 2022.

Additionally, the final regulations address what qualifies as qualified property or an advanced manufacturing facility. Notably, under the regulations, a facility is an advanced manufacturing facility if, based on all the facts and circumstances surrounding its construction, reconstruction, or erection, its primary purpose is the manufacturing of finished semiconductors or finished semiconductor manufacturing equipment. The final regulations include several relevant facts for consideration.

Special 10-Year Credit Recapture Rule

Under the final regulations, the credit is recaptured if an applicable taxpayer has an applicable transaction during the 10-year period beginning on the date the taxpayer placed the qualified property in service. However, recapture does not occur if the taxpayer demonstrates that the transaction has been ceased or abandoned within 45 days of determination and notice by the IRS. Taxpayers may not circumvent recapture by engaging in a series of applicable transactions, multiple applicable transactions, or other similar arrangements.

The final regulations define an applicable taxpayer as any taxpayer that was allowed the advanced manufacturing investment credit in a tax year prior to the year of the recapture event. This includes partnerships and S corporations that elected to treat the credit as a tax payment, as well as the partners (direct or indirect) or S corporation shareholders. Affiliated groups are treated as a single taxpayer for purposes of the final regulations.

An applicable transaction is any significant transaction involving the material expansion of semiconductor

Treasury and IRS Grant Filing Exception for Tax-Exempt Organizations on Form 4626

The Treasury and the IRS have announced that tax-exempt organizations will not need to submit Form 4626, Alternative Minimum Tax – Corporations, for the 2023 tax year. This decision responds to the introduction of a 15 percent minimum tax on large corporations, as outlined in the Inflation Reduction Act of 2022. For these organizations, the minimum tax applies only to income derived from unrelated business activities. While the filing requirement is waived for 2023, organizations must retain Form 4626 in their records to assess whether they meet the criteria for corporate alternative minimum tax liability. If applicable, the liability must be reported and paid using Form 990-T, specifically on Part II, Line 5. The IRS's Notice 2024-7 issued on September 13, 2024, outlined a simplified method for determining tax applicability. However, this method did not address adjustments specific to tax-exempt organizations. With a deadline of December 12, 2024, for public comments, this temporary exemption offers time to refine the reporting rules.

IR-2024-277

manufacturing capacity in a foreign country of concern. Foreign countries of concern are:

- the Democratic People's Republic of North Korea,
- the People's Republic of China,
- the Russian Federation,
- the Islamic Republic of Iran, and
- any country that the Secretary of State, in consultation with the Secretary of

Defense and the Director of National Intelligence, determines is engaged in conduct that is detrimental to U.S. national security or foreign policy.

The final regulations also define parameters for significant transactions, what constitutes "material expansion," and special considerations for legacy semiconductors.

IRS Finalizes Regs for Code Sec. 45X Advanced Manufacturing Production Credit

T.D. 10010

The IRS adopted final regulations governing the advanced manufacturing production credit. The final regs generally adopt proposed regs that were issued in NPRM REG-107423-23 (December 15, 2023), with some modifications. Taxpayers generally may rely on the final regs after December 31, 2022.

General Rules for Advanced Manufacturing Production Credit

The final regulations largely retain the proposed definition of "produced by the taxpayer." This definition is intended to

apply broadly to eligible components and, by requiring production of a complete and distinct eligible component, includes a substantial transformation test to distinguish production from partial transformation, mere assembly, and superficial modification. However, the final regulations clarify that taxpayers may produce eligible components using recycled materials (secondary production), and that in some cases, assembly may constitute production.

The final regs adopt the proposed regs regarding contract manufacturing arrangements, including the provision that allows some contracts to specify which party may claim the credit. They also continue to recognize that production of eligible components may have begun before December 31, 2022, as long as production

is completed and the component is sold after that date.

The proposed rules regarding production in the United States are also adopted. However, the preamble to the final regs confirms that the domestic production requirement does not apply to raw materials, intermediate products, and eligible components that are incorporated into other eligible components.

The final regs clarify the deemed sale rule by removing the proposed regulation's reference to "produced by." Thus, a taxpayer is treated as having sold an eligible component to an unrelated person if that component is integrated, incorporated, or assembled into another eligible component that is then sold to an unrelated person. However, the taxpayer is not

deemed to have produced the integrated component.

Similarly, the final regs adopt the proposed regs that allow the credit for any eligible component the taxpayer produces that was integrated, incorporated, or assembled into another complete and distinct eligible component or distinct product (that is not itself an eligible component) that the taxpayer also produces and sells to an unrelated person. However, the preamble clarifies that the calculation of the credit is not additive based on the number of eligible components used to produce an item when each eligible component is not produced by the taxpayer. Only the producer of an eligible component is eligible for credit.

Interaction of Code Sec. 45X with Code Sec. 48C

A component is not eligible for the credit if the basis of any property that is part of the production unit that produces the component is included in a facility that is taken into account for the Code Sec. 48C energy project investment credit. The final regs simply the proposed regs and examples for implementing this rule. The final regulations clarify that property that would otherwise qualify as an eligible component is an eligible component only if it is produced at a section 45X facility and no part of that facility is also a section 48C facility.

A section 45X facility is the independently functioning tangible property used by the taxpayer that is necessary for the taxpayer to be considered the producer of the eligible component. Accordingly, tangible property used to produce a subcomponent or other property that is later integrated, incorporated, or assembled into a distinct and final eligible component is not part of the section 45X facility. However, this rule does not apply if the property is of a type that the taxpayer must produce for the resulting eligible component to be considered produced by the taxpayer. This analysis can depend on the definition of the eligible component.

Sale to Unrelated Person and Related Person Election

The final regs largely adopt the proposed regs with respect to a taxpayer's sale of eligible components to an unrelated person, including the election to treat a related person as unrelated. However, the final regs clarify that components with respect to which defects arise after a deemed sale to an unrelated person are not considered defective components for purposes of the anti-abuse rule.

Technical Specifications

Finally, the final regs largely adopt the proposed regulations with respect to the

technical requirements that components and products must satisfy to qualify for the credit. The most extensive modifications in the final regs apply to qualifying battery components.

Applicability Dates

The regulations apply to eligible components for which production is completed and sales occur after December 31, 2022, and during tax years ending on or after the date the regs are published in the Federal Register, which is scheduled for October 28, 2024. However, taxpayers may also apply the regs to these eligible components during tax years ending before the final regs are published, provided that taxpayers follow the final regulations in their entirety and in a consistent manner.

Effect on Other Documents

Section 5.05(2) of Notice 2023-18, I.R.B. 2023-10, 508, and section 3 of Notice 2023-44, I.R.B. 2023-25, 924, are superseded for eligible components for which production is completed and sales occur after the regs are published in the Federal Register. These superseded sections relate to the interaction between Code Secs. 45X and 48C.

Proposed Rules Amend Coverage of Preventive Services Used by Health Plans and Insurance Issuers

Proposed Regulations, NPRM REG-110878-24

The IRS, together with other agencies, have issued a proposed rule that would amend coverage of certain preventive services under the Public Health Service Act, and separate requirements that would apply to coverage of contraceptive items that are preventive services under the Public Health Service Act. However, these proposed rules do not modify federal conscience protections related to

contraceptive coverage for employers, plans and issuers.

Medical Management Techniques

The medical management techniques used by non-grandfathered group health plans and health insurance issuers with respect to preventive services will not be considered reasonable unless the plan or issuer provides an easily

accessible, transparent and expedient exceptions process to allow an individual to receive coverage without cost sharing for a preventive service that is medically necessary with respect to the individual, as determined by the individual's attending provider, even if the service is not generally covered under the plan.

Contraceptive Items

Separate requirements under these proposed rules would require plans and

issuers to cover certain recommended over-the-counter contraceptive items without requiring a prescription and without imposing cost-sharing requirements. In addition, the proposed rules would require plans and issuers to cover certain recommended contraceptive items that are drugs and drug-led combination products without imposing cost-sharing requirements, unless a therapeutic equivalent of

the drug or drug-led combination product is covered without cost sharing.

Disclosure

The rule proposes to require a disclosure pertaining to coverage and cost-sharing requirements for over-the-counter contraceptive items in the plans' and issuers'

Transparency in Coverage internet-based self-service tools, or if requested by the individual, on paper.

Comment Request

The IRS requests written comments by December 27, 2024.

IRS Urges Taxpayers to Enroll for IP PIN Ahead of 2025 Filing Season

IR-2024-278

The IRS has encouraged taxpayers to register for an Identity Protection Personal Identification Number (IP PIN) to strengthen their defenses against tax-related identity theft. With the 2025 tax season approaching, the IRS recommended early enrollment to secure a personalized six-digit code that helps prevent fraudulent filings using Social Security or Individual Taxpayer Identification Numbers.

Taxpayers can obtain their IP PIN by creating or logging into an IRS Online Account. The system ensures identity verification, and individuals, including spouses and dependents, can complete the necessary steps to receive an IP PIN. This code must be used on all federal tax returns—electronic or paper—for the year, including amended or prior year filings.

The IRS also advised taxpayers to register before November 23, 2024, as the IP PIN system will undergo maintenance until early January 2025, when new IP

PINs for the 2025 tax season will be generated. IP PIN holders must retrieve their updated code in January to ensure smooth electronic filing.

For individuals unable to access the Online Account, alternatives such as in-person authentication at a Taxpayer Assistance Center are available. Taxpayers should safeguard their IP PIN and only share it with the IRS and their tax preparer. New participants can enroll now for 2024, with additional information available on the IRS website.

Disaster Area Taxpayers Have Varying Tax Deadlines Post Extensions

IR-2024-279

The IRS reminded taxpayers who received disaster extensions to file their tax year (2023) returns on November 1, 2024, February 3, 2025, or May 1, 2025. The variations are due to the location of taxpayers. Therefore, taxpayers:

- In parts of Arkansas, Iowa, Kentucky, Mississippi, New Mexico, Oklahoma, Texas and West Virginia have until November 1, 2024, to file their TY 2023 returns;
- In the entire states of Louisiana and Vermont, all of Puerto Rico and the Virgin Islands and parts of Arizona, Connecticut, Illinois, Kentucky, Minnesota, Missouri, New York, Pennsylvania, South Dakota, Texas and

Washington state have until February 3, 2025, to file their TY 2023 returns;

- In the entire states of Alabama, Florida, Georgia, North Carolina and South Carolina, and parts of Tennessee and Virginia will have until May 1, 2025, to file their 2023 returns. For these taxpayers, May 1 will also be the deadline for filing their TY 2024 returns and other tax dues; and
- Who live or have a business in Israel, Gaza or the West Bank, and other taxpayers affected by the terrorist attacks in the State of Israel have until September 30, 2025, to file and pay. Payments on TY 2023 returns are not eligible for the additional time because they were originally due prior to the terrorist attacks.

For extension filers, payments on the TY 2023 returns are not eligible for the additional time. They were originally due to file last spring before any of these disasters occurred. Additionally, the IRS will work with any taxpayer who lives outside the disaster area but whose records necessary to meet a deadline occurring during the postponement period are located in the affected area. Taxpayers qualifying for relief who live outside the disaster should contact the Service at 866-562-5227.

The IRS normally provides relief, including postponing various tax filing and payment deadlines, for any area designated by FEMA. The latest list of eligible localities is located at <https://www.irs.gov/newsroom/tax-relief-in-disaster-situations>.

Alaska Victims of Flood Granted Tax Relief

IR-2024-282

The IRS has extended tax relief to the victims of flooding in the Juneau area of Alaska, until May 1, 2025, to file various individual and business tax returns and make tax payments. This relief applies to affected taxpayers in the City and Borough of Juneau in Alaska.

Filing and Payment Deadlines Extended

The IRS has postponed various tax filing and payment deadlines that occurred starting on August 5, 2024. As a result, the affected taxpayers will now have until May 1, 2025, to file returns and pay any taxes that were originally due during this period. This includes individuals who had a valid extension to file their 2023 income tax return.

The May 1, 2025, deadline does apply to estimated income tax payments due on September 16, 2024, and January 15, 2025. In addition, the quarterly payroll and excise tax returns normally due on and October 31, 2024, and January 31, 2025 are also now due on February 3, 2025. Penalties on payroll and excise tax deposits due on or after August 5, 2024, and before August 20, 2024, will be abated, as long as the deposits are made by August 20, 2024.

The affected taxpayers do not need to contact the IRS to get this relief. The IRS will work with taxpayers who lives outside the disaster area but whose records necessary to meet a deadline occurring during the postponement period are located in the affected area. Taxpayers qualifying for relief who live outside the disaster area need to contact the IRS at 866-562-5227.

AFRs Issued For November 2024

Rev. Rul. 2024-24

The IRS has released the short-term, mid-term, and long-term applicable interest rates for November 2024.

Applicable Federal Rates (AFR) for November 2024

	Annual	Semiannual	Quarterly	Monthly
Short-Term				
AFR	4.00%	3.96%	3.94%	3.93%
110% AFR	4.41%	4.36%	4.34%	4.32%
120% AFR	4.81%	4.75%	4.72%	4.70%
130% AFR	5.22%	5.15%	5.12%	5.10%
Mid-Term				
AFR	3.70%	3.67%	3.65%	3.64%
110% AFR	4.08%	4.04%	4.02%	4.01%
120% AFR	4.45%	4.40%	4.38%	4.36%
130% AFR	4.83%	4.77%	4.74%	4.72%
150% AFR	5.59%	5.51%	5.47%	5.45%
175% AFR	6.52%	6.42%	6.37%	6.34%
Long-Term				
AFR	4.15%	4.11%	4.09%	4.08%
110% AFR	4.57%	4.52%	4.49%	4.48%
120% AFR	4.99%	4.93%	4.90%	4.88%
130% AFR	5.41%	5.34%	5.30%	5.28%

Adjusted AFRs for November 2024

	Annual	Semiannual	Quarterly	Monthly
Short-term adjusted AFR	3.03%	3.01%	3.00%	2.99%
Mid-term adjusted AFR	2.81%	2.79%	2.78%	2.77%
Long-term adjusted AFR	3.14%	3.12%	3.11%	3.10%

The Code Sec. 382 adjusted federal long-term rate is 3.14%; the long-term tax-exempt rate for ownership changes during the current month (the highest of the adjusted federal long-term rates for the current month and the prior two months) is 3.31%; the Code Sec. 42(b)(1) appropriate percentages for the 70% and 30% present value low-income housing credit are 7.91% and 3.39%, respectively, however, under Code Sec. 42(b)(2), the appropriate percentage for non-federally subsidized new buildings placed in service after July 30, 2008, shall not be less than 9%; and the Code Sec. 7520 AFR for determining the present value of an annuity, an interest for life or a term of years, or a remainder or reversionary interest is 4.4%.

Casualty Losses

Individuals and businesses in a federally declared disaster area who suffered uninsured or unreimbursed disaster-related losses can choose to claim them on either the return for the year the loss occurred (2024), or the return for the prior year

(2023). Taxpayers claiming a disaster loss on their tax return should write the appropriate FEMA declaration number – "**4836-DR**" – on any return claiming a loss. Finally, the IRS has requested taxpayers to see Publication 547 and visit disaster-assistance.gov for information on disaster recovery.

Business Deductions

An entity's sole trade or business consisted of trafficking in marijuana. Code Sec. 280E applied to the taxpayer since trafficking marijuana is a federal offense. This was also not an unapportioned direct tax or an expensive fine. Finally, the Controlled Substances Act is constitutional under Supreme Court precedent, referencing *Gonzales v. Raich*, 545 U.S. 1 (2005).

Patients Mutual Assistance Collective Corporation, Inc., TC, Dec. 62,516(M)

FBAR

Foreign Bank Account Reporting (FBAR) penalties assessed against a married couple were not taxes imposed by the Internal Revenue Code and thus were not subject to the requirements of Code Secs. 6320 and 6330. Accordingly, the IRS was under no obligation to provide the taxpayers with a CDP hearing.

Jenner, TC, Dec. 62,501

Passive Activity Losses

A married couple's losses from rental real estate were passive losses. Further, the

taxpayers were liable for accuracy-related penalties under Code Sec. 6662.

Gossain, TC, Dec. 62,515(M)

Qualified Settlement Accounts

The escrow accounts administered by taxpayer were a qualified settlement fund under Reg. §1.468B-1. The taxpayer satisfied all three requirements of Reg. §1.468B-1(c) in the year the escrow accounts were established. For instance, the escrow accounts were established pursuant to the enacted legislation and subject to the continuing jurisdiction of each party. The contributions made by a contributor to the escrow accounts administered by the taxpayer were deductible in the tax year of the transfer. The amounts transferred into escrow accounts will be used to pay money damages to any parties.

IRS Letter Ruling 202443004

Retirement Accounts

The IRS ruled that postretirement benefits provided by retirement plan's (R1) Code Sec. 401(h) account would be subordinate to the retirement benefits of R1. The combined contributions of amount 1

and amount 2 to R1's Code Sec. 401(h) account did not exceed 25 percent of the total contributions to R1, other than contributions to fund past service credits.

IRS Letter Ruling 202443017

Supreme Court Docket

A petition for review was denied in the following case:

Breland, Jr. v. IRS., (CA-11). —A bankruptcy consent order was not a final determination of an individual's tax liability. After the plan was confirmed, the IRS discovered additional taxes that the taxpayer owed. After said discovery, the Service sent the taxpayer notices of deficiency for those additional taxes. The appeals court ruled that the consent order merely determined the amount of taxes that the bankruptcy estate would pay. It did not fix the taxpayer's total underlying, nondischargeable tax debt. Nor did it prevent the IRS from assessing additional taxes beyond what was contemplated by the plan. The Service was not barred by res judicata or collateral estoppel from filing additional notices of deficiency for the tax years at issue.