

FEDERAL TAX WEEKLY

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IRS Publishes Fiscal Year 2024 Financial Report and Receives Award for 2023 Report

IR-2024-286

The IRS has published its latest Financial Report, providing insights into the Service's current financial status and addressing key financial matters. The report emphasizes the IRS's programs, achievements, challenges and management's accountability for the resources entrusted to the bureau. In fiscal year 2024, the IRS received more than \$5.1 trillion in tax revenue, collected more than \$98 billion in enforcement revenue and distributed \$553 billion in federal tax refunds and other outlays.

The IRS was honored earlier this year by AGA (formerly the Association of Government Accountants) with its second consecutive Certificate of Excellence in Accountability Reporting (CEAR) award for the FY 2023 Agency Financial Report. Additionally, the IRS received a second coveted CEAR award, acknowledging it as "Best in Class" for improved presentation of the Management's Discussion and Analysis section.

IRS Announces 2025 Flexible Spending Arrangement Contribution Limits

IR-2024-287

The IRS has set the 2025 flexible spending arrangement (FSA) contribution limit at \$3,300 per employee, allowing pre-tax payroll deductions for eligible medical expenses. Contributions remain exempt from federal income, Social Security, and Medicare taxes. If an employee's spouse also participates in an FSA, they can contribute up to \$3,300, bringing the household total to \$6,600.

The maximum carryover amount for unused FSA funds will increase to \$660 in 2025, up from \$640 in 2024, without affecting the allowable contributions. Open enrollment is crucial for employees to review and elect FSA participation. Self-employed individuals are not eligible.

Employees should evaluate medical expenses, including co-pays, deductibles, and non-covered services like dental and vision care, when deciding their contribution amounts. FSAs cover various over-the-counter items and seasonal health products. Employees must check their employer's FSA terms, which may have stricter limits than federal regulations. More details are available in IRS Publication 969 on IRS.gov.

Regulations Amended to Modernize Sales of Seized Property and Maximize Proceeds

T.D. 10011

The IRS has amended Reg. §301.6335-1 to modernize the rules regarding the sale of a taxpayer's property that the IRS seizes by levy. The amendments allow the IRS to maximize sale proceeds for both the benefit of the taxpayer whose property the IRS has seized and the public fisc, and affects all sales of property the IRS seizes by levy. The final regulation, as amended, adopts the text of the proposed amendments (REG-127391-16, Oct. 15, 2023) with only minor, non-substantive changes.

Code Sec. 6335 governs how the IRS sells seized property and requires the Secretary of the Treasury or her delegate, as soon as practicable after a seizure, to give

Guidance for Social Media Advertising of Alcohol Beverages Issued

Industry members and others are reminded that the Alcohol and Tobacco Tax and Trade Bureau's advertising regulations in 27 CFR parts 4, 5, and 7, apply to all advertisements in social media. Provision is made for voluntary compliance with the TTB advertising regulations for social media, including required mandatory statements and prohibited practices or statements. This circular modifies and supersedes TTB Industry Circular 2022-2.

Industry Circular 2024-1, Alcohol and Tobacco Tax and Trade Bureau, October 30, 2024

written notice of the seizure to the owner of the property that was seized. The amended regulation updates the prescribed manner and conditions of sales of seized property to match modern practices. Further, the regulation as updated will benefit taxpayers by making the sales process both more efficient and more likely to produce higher sales prices.

The final regulation provides that the sale will be held at the time and place stated in the notice of sale. Further, the place of an in-person sale must be within the county in which the property is seized. For online sales, Reg. §301.6335-1(d)(1) provides that the place of sale will generally be within the county in which the property is seized, so that a special order is

not needed. Additionally, Reg. §301.6335-1(d)(5) provides that the IRS will choose the method of grouping property selling that will likely produce that highest overall sale amount and is most feasible.

The final regulation, as amended, removes the previous requirement that (on a sale of more than \$200) the bidder make an initial payment of \$200 or 20 percent of the purchase price, whichever is greater. Instead, it provides that the public notice of sale, or the instructions referenced in the notice, will specify the amount of the initial payment that must be made when full payment is not required upon acceptance of the bid. Additionally, Reg. §301.6335-1 updates details regarding permissible methods of sale and personnel involved in sale.

Relief Measure Extends Benefit Deadlines for Plans Affected by 2024 Hurricanes and Storms

Extension of Certain Timeframes for Employee Benefit Plans, Participants, Beneficiaries, Qualified Beneficiaries, and Claimants Affected by Hurricane Helene, Tropical Storm Helene, or Hurricane Milton

The Department of Labor's Employee Benefits Security Administration and the IRS have extended certain regulatory timeframes for group health, disability,

and pension plans impacted by Hurricane Helene, Tropical Storm Helene, and Hurricane Milton. This relief is effective upon publication on November 8, 2024. It ensures that people and plans in disaster-hit areas do not face penalties by delaying certain deadlines for enrollment, COBRA elections, premium payments, and filing claims.

The relief applies when determining the following periods and dates:

- special enrollment periods under HIPAA for individuals losing other coverage;
- the election period for COBRA continuation coverage;
- the deadline for making COBRA premium payments; and
- deadlines for filing claims and appeals under a plan's claims procedure.

In Florida, for areas impacted by Hurricane Helene, the relief period runs from

REFERENCE KEY

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

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September 23, 2024, to May 1, 2025. For areas affected by Hurricane Milton, it spans from October 5, 2024, to May 1, 2025. In Georgia, the relief period is from September 24, 2024, to May 1, 2025. For North Carolina, South Carolina, and Virginia, the relief period extends from September 25, 2024, to May 1, 2025. In Tennessee, the relief period begins on September 26, 2024, and ends on May 1, 2025.

Alaska Victims of Flooding Granted Tax Relief

Alaska Disaster Relief Notice (AK-2024-08)

The president has declared a federal disaster area in Alaska. The disaster is due to flooding that began on August 5, 2024. The disaster area includes the City and Borough of:

- Juneau

Taxpayers who live or have a business in the disaster area may qualify for tax relief.

Alaska Filing Deadlines Extended

The IRS extended certain deadlines falling on or after August 5, 2024, and on or before May 1, 2025, have been postponed to May 1, 2025. This extension includes filing for most returns, including:

- individual, corporate, estate and trust income tax returns;
- partnership and S corporation income tax returns;
- estate, gift and generation-skipping transfer tax returns;
- the Form 5500 series returns;

TTB Establishes Two American Viticultural Areas in California and Washington

The Crystal Springs of Napa Valley American viticultural area is established in Napa County, California by the Alcohol and Tobacco Tax and Trade Bureau. This AVA is located entirely within the existing North Coast and Napa Valley viticultural areas. Also, the existing Calistoga AVA is modified. The Beverly, Washington American viticultural area is established in Grant County, Washington by the Alcohol and Tobacco Tax and Trade Bureau. The Beverly, Washington AVA is located entirely within the established Columbia Valley AVA. Viticultural area names are used to describe the origin of wine for labeling and advertising purposes.

Regulations, 27 CFR Part 9, §§9.296 and 9.209, effective November 15, 2024; Treasury Decision TTB-197, 89 FR 83431, October 16, 2024; Regulation, § 9.297, effective November 29, 2024; Treasury Decision TTB-198, Alcohol and Tobacco Tax and Trade Bureau, 89 FR 85852, October 29, 2024

- annual information returns of tax-exempt organizations; and
- employment and certain excise tax returns.

However, the extension does not include information returns in the Form W-2, 1094, 1095, 1097, 1098, or 1099 series or Forms 1042-S, 3921, 3922 or 8027.

Alaska Payment Deadlines Extended

Also, the relief includes extra time to make tax payments. This includes estimated tax payments due on September 16, 2024, January 15, 2025, and April 15, 2025. Further, taxpayers have until May 1, 2025, to perform other time-sensitive actions due on or after August 5, 2024, and on or before May 1, 2025.

The IRS excused late penalties for employment and excise tax deposits due on or after August 5, 2024, and before August 20, 2024. But, the taxpayer must make the deposits by August 20, 2024.

Casualty Losses

Affected taxpayers can claim disaster-related casualty losses on their federal income tax return. Taxpayers may get relief by claiming their losses on their 2023 or 2024 return. Individuals may deduct personal property losses not covered by insurance or other reimbursements.

Taxpayers claiming a disaster loss on their 2023 or 2024 return should write the assigned FEMA declaration number: "4836-DR" at the top of the return. This will allow the IRS to speed refund processing.

Also, the IRS will provide affected taxpayers with copies of prior year returns without charge. To get this expedited service, taxpayers should add the disaster designation at the top of Form 4506, Request for a Copy of Tax Return, or Form 4506-T, Request for Transcript of Tax Return; and submit it to the IRS and submit it to the IRS.

Arizona Victims of Flooding Granted Tax Relief

Arizona Disaster Relief Notice (AZ-2024-09)

The president has declared a federal disaster area in Arizona. The disaster is due to

flooding that began on August 22, 2024. The disaster area includes the:

- Havasupai Tribe

Taxpayers who live or have a business in the disaster area may qualify for tax relief.

Arizona Filing Deadlines Extended

The IRS extended certain deadlines falling on or after August 22, 2024, and on

or before February, 2025, have been postponed to February, 2025. This extension includes filing for most returns, including:

- individual, corporate, estate and trust income tax returns;
- partnership and S corporation income tax returns;
- estate, gift and generation-skipping transfer tax returns;
- the Form 5500 series returns;
- annual information returns of tax-exempt organizations; and
- employment and certain excise tax returns.

However, the extension does not include information returns in the Form W-2, 1094, 1095, 1097, 1098, or 1099 series or Forms 1042-S, 3921, 3922 or 8027.

Arizona Payment Deadlines Extended

Also, the relief includes extra time to make tax payments. This includes estimated tax payments due on September 16, 2024, and January 15, 2025. Further, taxpayers have until February 3, 2025, to perform other time-sensitive actions due on or after August 22, 2024, and on or before February 3, 2025.

The IRS excused late penalties for employment and excise tax deposits due on or after August 22, 2024, and before September 6, 2024. But, the taxpayer must make the deposits by September 6, 2024.

2024 Post-Election Tax Policy Update: Wolters Kluwer Tax Briefing Now Available

On November 5, 2024 (and in the weeks before), Americans went to the polls and elected Donald Trump to return to the White House. Now the attention turns to President-elect Trump's policies, specifically tax policies. Whether and when those policies come to fruition will depend largely on the outcome of Congressional elections. The GOP has the Senate in hand, but control of the House is still up for grabs.

Since 1913, Wolters Kluwer has provided tax professionals with the most comprehensive, ongoing, practical and timely analysis of the federal tax law. In the spirit of this tradition, Wolters Kluwer is providing you with an update on possible tax policy in the wake of the election.

Wolters Kluwer's Award-Winning Briefing Now Available

Wolters Kluwer's Tax Briefing highlighting the potential tax policies of President-elect Donald Trump, is now available at: <https://engagetax.wolterskluwer.com/2024PostElectionBrief>. This Wolters Kluwer Tax Briefing alerts tax practitioners and their clients to what the future of United States tax policy may hold.

Casualty Losses

Affected taxpayers can claim disaster-related casualty losses on their federal income tax return. Taxpayers may get relief by claiming their losses on their 2023 or 2024 return. Individuals may deduct personal property losses not covered by insurance or other reimbursements.

Taxpayers claiming a disaster loss on their 2023 or 2024 return should write the assigned FEMA declaration number:

"4840-DR" at the top of the return. This will allow the IRS to speed refund processing.

Also, the IRS will provide affected taxpayers with copies of prior year returns without charge. To get this expedited service, taxpayers should add the disaster designation at the top of Form 4506, Request for a Copy of Tax Return, or Form 4506-T, Request for Transcript of Tax Return; and submit it to the IRS.

TAX BRIEFS

Business Expense Deductions

An individual who reported some of the flowthrough income on Schedule C, Profit or Loss From Business, from his single member limited liability company (LLC), but failed to report his total income from the LLC on his individual tax return, was entitled to deduct business expenses for maintenance and repair and compensation

paid to officers, over and above the deductions already allowed by the IRS.

Tibin, TC, Dec. 62,521(M)

C Corporations

The IRS incorrectly disallowed deductions for writeoffs for damaged inventory claimed by a C corporation. Further, the taxpayer was not entitled to the charitable

contribution deduction. Additionally, the IRS correctly reduced the taxpayer's NOL deduction for one of the tax years by the portions of the previous tax years.

IQ Holdings, Inc, TC, Dec. 62,523(M)

Gross Income

In each of two cases, an entity's (taxpayer) income derived from the performance of

an essential governmental function. The income also accrued to the government or a political subdivision of the government. Thus, the taxpayer's income was excludable from gross income under Code Sec. 115(1). In the first case, certain school districts entered an agreement to establish the taxpayer for self-insuring property belonging to the school districts. In the second case, a trust was formed under a declaration

of trust and bylaws to provide self-insured workers' compensation coverage to school districts and similar public entities

IRS Letter Ruling 202445009; IRS Letter Ruling 202445010

Loss Deductions

An individual taxpayer taxpayer failed to substantiate entitlement to a theft loss deduction for tax years at issue.

Accordingly, the casualty loss deduction was disallowed. The taxpayer could not deduct legal fees as an ordinary and necessary business expense under Code Sec. 162 or deduct a carryforward net operating loss (NOL) under Code Sec. 172.

Shaut, TC, Dec. 62,522(M)