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INSIDE THIS ISSUE

Feds Ask Supreme Court To Lift BOI Injunction During Appeal Process 1

Final Regulations Issued for Clean Hydrogen Production Credit and Energy Property Election 1

IRS Reminds Taxpayers of Disaster Deadlines.....2

Additional Code Sec. 5000D Regulations Proposed; Safe Harbor Provided.....3

Temporary Relief Allows Alternative Methods for Digital Asset Identification 3

Associate Chief Counsel Ruling Procedure Updated; New Schedule of User Fees Provided.....4

Associate Chief Counsel Nonissuance List Updated.....5

Technical Advice Memoranda Procedures Updated 5

Employee Plan and Exempt Organization Ruling Procedures Updated.....5

Exempt Status Determination Letter Application and Issuance Procedures Updated 6

AFRs Issued for January 2025 6

International No Advance Ruling Issues Updated 7

United States-Belarus Tax Treaty Partially Suspended 7

Tax Briefs 7

Feds Ask Supreme Court To Lift BOI Injunction During Appeal Process

While the U.S. Court of Appeals for the Fifth Circuit is scheduled to hear an appeal on the constitutionality of the Corporate Transparency Act, the Department of Justice is asking the U.S. Supreme Court to lift the injunction on enforcing the beneficial ownership information reporting requirements.

The request seeks a stay on the injunction put in place in early December in the United States District Court for the Eastern District of Texas based on a number of factors halting the enforcement of the BOI regulations.

In the short term, DOJ argues that the Supreme Court generally allows acts of Congress to remain in effect pending final review. It also argues that even if the Fifth Circuit affirms the District Court's injunction, the Supreme Court "would likely grant certiorari and reverse" the injunction.

"The government is likely to succeed on the merits of the respondents' claim," the request states. "The Act's reporting requirements are important to the government in preventing, detecting, and prosecuting crimes such as money laundering, tax fraud, and the financing of terrorism. The requirements therefore fall comfortably within Congress's authority under the Commerce Clause to regulate economic activities (here the anonymous operation of business activities) that substantially affect interstate commerce."

The Fifth Circuit Court of Appeals in a December 23, 2024, order noted that "the government has made a strong showing that it is likely to succeed on the merits in defending [the Corporate Transparency Act's] constitutionality."

The DOJ also noted in its request that two other district courts "had held that the Act is likely constitutional and had denied preliminary injunction motions raising substantially similar constitutional claims" in arguing that injunction should be lifted, while a third district court denied the injunction "because the plaintiffs had failed to show irreparable harm."

The Fifth Circuit Court of Appeals is scheduled to be heard by the oral argument panel on March 25, 2025.

Final Regulations Issued for Clean Hydrogen Production Credit and Energy Property Election

T.D. 10023

The IRS has released final regulations implementing the clean hydrogen production credit under Code Sec. 45V, as well as the election to treat a clean hydrogen production facility as energy property for purposes of the energy investment credit under Code Sec. 48.

The regulations generally apply to tax years beginning after December 26, 2023.

The regulations adopt the proposed regulations (REG-117631-23) with certain modifications. Rules are provided for determining lifecycle greenhouse gas (GHG) emissions rates resulting from hydrogen production processes; petitioning for provisional emissions rates; verifying production and sale or use of clean hydrogen; modifying or retrofitting existing qualified clean hydrogen production facilities; and using electricity from certain renewable or zero-emissions sources to produce qualified clean hydrogen.

Background

The Inflation Reduction Act of 2022 (P.L. 117-169) added Code Sec. 45V to provide a tax credit to produce qualified clean hydrogen produced after 2022 at a qualified clean hydrogen production facility during the 10-year period beginning on the date the facility is originally placed in service.

The credit is calculated by multiplying an applicable amount by the kilograms of qualified clean hydrogen produced. The applicable amount ranges from $0.12 to $0.60 per kilogram depending on the level of lifecycle greenhouse gas emissions associated with the production of the hydrogen. The credit is multiplied by five if the qualified clean hydrogen production facility meets certain prevailing wage and apprenticeship requirements.

Qualified Facility and Emissions Rate

The regulations provide that a qualified clean hydrogen production facility is a single production line that is used to produce qualified clean hydrogen. This includes all components, including multipurpose components, of property that function interdependently to produce qualified clean hydrogen through a process that results in the lifecycle GHG emissions rate used to determine the credit. It does not include equipment used to condition or transport hydrogen beyond the point of production, or feedstock-related equipment.

The lifecycle GHG emissions rate is determined under the latest publicly available 45VH2-GREET Model developed by the Argonne National Laboratory on the first day of the tax year during which the qualified clean hydrogen was produced. If a version of 45VH2-GREET becomes publicly available after the first day of the tax year of production (but still within such tax year), then the taxpayer may elect to use the subsequent model.

Verifying Production and Sale

Code Sec. 45V requires the clean hydrogen to be produced for sale or use. No hydrogen is qualified clean hydrogen unless its production, sale, or use is verified by an unrelated party. A verification report prepared by a qualified verifier must be attached to a taxpayer's Form 7210 for each qualified clean hydrogen production facility and for each tax year the Code Sec. 45V credit is claimed. The regulations outline the requirements for a verification report. They also contain requirements for the third-party verifier to perform to attest that the qualified clean hydrogen has been sold or used by a person for verifiable use.

Modified and Retrofitted Facilities

A facility placed in service before 2023 that is modified to produce qualified clean hydrogen may be eligible for the credit so long as the taxpayer's expenses to modify the facility as chargeable to the capital account. However, merely changing fuel inputs does not constitute a modification for this purpose. A modification must enable to the facility to produce qualified

IRS Reminds Taxpayers of Disaster Deadlines

The IRS reminded disaster-area taxpayers that they have until February 3, 2025, to file their 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, Montana, New York, Pennsylvania, South Dakota, Texas, and Washington State.

Taxpayers in the entire states of Alabama, Florida, Georgia, North Carolina and South Carolina, and parts of Alaska, New Mexico, Tennessee, Virginia, and West 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 2024 returns and paying any tax due.

Taxpayers who live or have a business in Israel, Gaza or the West Bank, and certain other taxpayers affected by terrorist attacks in the State of Israel have until September 30, 2025, to file and pay. This includes all 2023 and 2024 returns.

As long as the taxpayer's address of record is in a disaster-area locality, individual and business taxpayers automatically get the extra time, without having to ask for it. The current list of eligible localities is available at https://www.irs.gov/newsroom/tax-relief-in-disaster-situations.

IR-2025-1

REFERENCE KEY

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

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clean hydrogen if it not before the modification to meet the lifecycle GHG emissions rate. Alternatively, an existing facility may be retrofitted to qualify for the credit provided that the fair market value of used property in the facility is not more than 20 percent of the facility's total value (80/20 Rule).

Energy Credit Election

A taxpayer that owns and places in service a specified clean hydrogen production facility can make an irrevocable election to treat any qualified property that is part of the facility as energy property for purposes of the energy investment credit under Code Sec. 48. The final regulations contain definitions of a specified facility, the energy percentage for the investment credit, and the time and manner for making the election. The rules include a safe harbor for determining the beginning of construction and using a provisional emissions rate (PER) to calculate the investment credit.

Additional Code Sec. 5000D Regulations Proposed; Safe Harbor Provided

Proposed Regulations, NPRM REG-115560-23; Rev. Proc. 2025-9

The Treasury Department and IRS have issued proposed regulations on the excise tax on certain sales of designated drugs by manufacturers, producers, and importers during statutorily defined periods. The excise tax is imposed by Code Sec. 5000D, which was added by the Inflation Reduction Act of 2022 (P.L. 117-169). A safe harbor for identifying certain applicable sales has also been released.

Proposed Regulations

The proposed regulations would amend the Designated Drugs Excise Tax Regulations by providing substantive rules related to the Code Sec. 5000D tax, including rules consistent with the substantive rules described in Notice 2023-52. Specifically, these proposed regulations would provide definitions of certain terms, such as "manufacturer, producer, or importer," "sale," and "price," and rules governing the imposition and calculation of the Code Sec. 5000D tax. The proposed regulations are organized into two sections: Prop. Reg. Sec. 47.5000D-2 (relating to definitions) and Prop. Reg. Sec. 47.5000D-3 (on the imposition and calculation of the Code Sec. 5000D tax). Taxpayers may continue to rely on the guidance in sections 3.01 and 3.02 of Notice 2023-52 until the proposed regulations are finalized. A public hearing will be scheduled if requested in writing by any person who timely submits electronic or written comments.

Safe Harbor

Along with proposed regulations, the Treasury Department and IRS have released a safe harbor under which a manufacturer, producer, or importer may identify the applicable sales of a designated drug made during a day described in Code Sec. 5000D(b) by using a safe harbor percentage. It also provides the safe harbor percentage. A manufacturer, producer, or importer of a designated drug that makes a sale of a designated drug during a day described in Code Sec. 5000D(b) may use the safe harbor provided in section 5.01 and safe harbor percentage provided in section 6.01 until the proposed regulations are finalized or other guidance is published in the Internal Revenue Bulletin or the Federal Register. After its release, Rev. Proc. 2025-9 will be published in the Internal Revenue Bulletin 2025-4, January 21, 2025. This revenue procedure is effective for returns filed on or after December 31, 2024, and will remain in effect through the day before the effective date of superseding guidance.

Temporary Relief Allows Alternative Methods for Digital Asset Identification

Notice 2025-7

The IRS has issued temporary relief procedures for taxpayers holding digital assets with brokers that may not have adequate technology in place to comply with the specific identification requirements of Reg. §1.1012-1(j)(3)(ii). If a taxpayer complies with the relief procedures, the taxpayer may use alternative methods to identify digital assets held in broker custody when sold, disposed of, or transferred, rather than defaulting to the First-In-First-Out (FIFO) methodology.

The relief applies for transactions occurring during calendar year 2025.

Background

Specified securities are required to follow regulated conventions for basis tracking on an account-by-account basis. The Infrastructure Investment and Jobs Act of 2021 expanded these requirements to include digital assets as specified securities, effective January 1, 2023. To implement these changes, the Treasury Department and IRS published proposed regulations on August 29, 2023, followed by final regulations (T.D. 10000) on July 9, 2024.

The final regulations established Reg. §1.1012-1(j), providing ordering rules

for determining which digital asset units are sold. For broker-held assets, taxpayers may identify specific units through their custodial broker, with a default to FIFO methodology if no specific identification is made. For self-custodied assets, separate ordering rules apply. The IRS also issued Rev. Proc. 2024-28 to facilitate taxpayers' transition to wallet-by-wallet basis allocation methodology.

The Treasury Department and IRS recognize that some digital asset brokers may lack the necessary technology by the January 1, 2025, effective date to accept specific instructions or standing orders from taxpayers. As such, affected taxpayers would default to FIFO methodology for any units sold, disposed of, or transferred from broker custody. Notice 2025-7 allows taxpayers to use additional methods for making adequate identification during the 2025 calendar year, while preserving taxpayers' ability to comply with Reg. §1.1012-1(j)(3)(ii).

Temporary Relief under Reg §1.1012-1(j)(3)(ii)

Notice 2025-7 establishes two additional methods for adequate identification of digital assets during the relief period. Under the first method, taxpayers may identify units directly in their books and records, provided this identification occurs no later than the date and time of the transaction. Such identification must include specific identifiers, including purchase date and time or purchase price, that sufficiently establish the basis and holding period of the units being sold or transferred.

The second method permits taxpayers to record a standing order in their books and records prior to any covered transactions. These standing orders must contain sufficient detail to identify the digital asset units that will be sold, disposed of, or transferred. The standing order must be documented before any units subject to the order are transacted.

The relief applies exclusively to broker-custodied digital assets and requires satisfaction of the requirements established in Rev. Proc. 2024-28 before implementation. Self-custodied assets remain subject to the original identification rules.

Associate Chief Counsel Ruling Procedure Updated; New Schedule of User Fees Provided

Rev. Proc. 2025-1

The IRS has revised the general procedures relating to the issuance of written guidance (including letter rulings and determination letters) to taxpayers on issues under the jurisdiction of the offices of the Associate Chief Counsel. The procedures detail the manner in which advice is requested by taxpayers and provided by the IRS. Estate, gift, and generation-skipping transfer tax issues fall under the jurisdiction of the Associate Chief Counsel (Passthroughs and Special Industries). The Associate office generally issues letter rulings on proposed transactions affecting federal transfer taxes, and on completed transactions, if the letter ruling request is submitted before the return affected by the transaction is filed. However, the IRS will not issue letter rulings or determination letters on frivolous issues and will not issue comfort letter rulings. Moreover, the IRS will not issue letter rulings for prospective estates on the computation of tax, actuarial factors, or factual matters. A sample format for a letter ruling request is provided in Appendix B. The procedures may be modified throughout the year.

In addition to minor revisions, notable changes include:

- Submissions sent by electronic facsimile must be physically signed with a handwritten signature prior to faxing.
- Regulated investment companies as defined in Code Sec. 851 are the only entities with a common sponsor that are eligible for the user fee provided paragraph (A)(5)(a) of Appendix A for substantially identical letter rulings and closing agreements.
- The correct methods of payment of user fees for letter ruling requests and determination letter requests from SB/SE and TS has been clarified.
- Appendix A has been amended with revised user fees reflecting costs incurred by the Service to administer the ruling program.
- (5) A Form 3115 and a Consent Agreement copy of a change in method of accounting letter ruling may be signed electronically (or in another manner consistent with section 7.01(13) of this revenue procedure).
- (6) Appendix A, Schedule of User Fees, has been amended to reflect that requests under Code Sec. 1362(b)(5) for an extension of time for making an S corporation election would now be subject to the same user fee as requests for relief under Reg. §301.9100-3.

Effective Date

This revenue procedure is effective for all requests received on or after December 30, 2024. Rev. Proc. 2024-1, governs requests received prior to December 30, 2024.

Effect on Other Documents

Rev. Proc. 2024-1, I.R.B. 2024-1, 1, is superseded.

Associate Chief Counsel Nonissuance List Updated

Rev. Proc. 2025-3

The IRS has revised the list of areas under the jurisdiction of the Associate Chief Counsel (Corporate), the Associate Chief Counsel (Financial Institutions and Products), the Associate Chief Counsel (Income Tax and Accounting), the Associate Chief Counsel (Passthroughs and Special Industries), the Associate Chief Counsel (Procedure and Administration), and the Associate Chief Counsel (Employee Benefits, Exempt Organizations, and Employment Taxes) (EEE) for which letter rulings or determination letters will not be issued. Lists of areas of nonissuance under the jurisdiction of the Associate Chief Counsel (International) and the Commissioner, Tax Exempt and Government Entities Division (relating to plans or plan amendments) are presented in separate revenue procedures.

The following have been added to the list of issues for which advance rulings will not be issued:

- Alcohol, Etc., Used as Fuel; Biodiesel, and Renewable Diesel Used as Fuel; Sustainable Aviation Fuel Credit; Imposition of Tax (§§ 4041 and 4081); Taxable Fuel; Credit for Alcohol Fuel, Biodiesel, and Alternative Fuel Mixtures. Whether a particular fuel or fuel mixture is subject to excise tax or whether a particular fuel or fuel mixture qualifies for an excise tax credit or payment, or a related income tax credit.
- Low-Income Housing Credit. Whether a casualty loss has been restored by reconstruction or replacement within a reasonable period of time.
- Electricity Produced from Certain Renewable Resources, Etc. Whether the taxpayer meets the requirements of Code Sec. 45 or Notice 2010-54, I.R.B. 2010-40, 403, for refined coal.
- Credit for Carbon Oxide Sequestration. The allocation by a partnership of the Code Sec. 45Q credit, the validity of the partnership, or whether any partner is a valid partner in the partnership.
- Certain Death Benefits. Whether there has been a transfer for value for purposes of Code Sec. 101(a) in situations involving a grantor and a trust when (i) substantially all of the trust corpus consists or will consist of insurance policies on the life of the grantor or the grantor's spouse, (ii) the trustee or any other person has a power to apply the trust's income or corpus to the payment of premiums on policies of insurance on the life of the grantor or the grantor's spouse, (iii) the trustee or any other person has a power to use the trust's assets to make loans to the grantor's estate or to purchase assets from the grantor's estate, and (iv) there is a right or power in any person that would cause the grantor to be treated as the owner of all or a portion of the trust under Code Secs. 673 to 677.

The procedures are effective December 30, 2024. Rev. Proc. 2024-3, I.R.B. 2024-1, 143, is superseded.

Technical Advice Memoranda Procedures Updated

Rev. Proc. 2025-2

The IRS has issued its annual revision of the general procedures relating to the issuance of technical advice to a director or an appeals area director by the various offices of the Associate Chief Counsel. The procedures also explain the rights a taxpayer has when a field office requests technical advice. A technical advice memorandum (TAM) is normally requested when there is a lack of uniformity regarding the disposition of an issue or when an issue is unusual or complex enough to warrant consideration by an Associate office. No significant changes were made to these procedures for 2024. However, the procedures may be modified throughout the year. The new procedures are effective December 30, 2024.

The new procedures are effective December 30, 2024.

Rev. Proc. 2024-2, I.R.B. 2024-1, is superseded.

Employee Plan and Exempt Organization Ruling Procedures Updated

Rev. Proc. 2025-4

The IRS has updated its procedures for employee plans (EP) to obtain guidance on issues under the jurisdiction of the Commissioner, Tax Exempt and Government Entities Division (TE/GE) Employee Plans Rulings and Agreements Office. The procedure also details the types of advice available to taxpayers, and the manner in which such advice is requested and provided.

In addition to minor non-substantive changes, including changes to dates, cross references, and citations to other revenue procedures, the following changes are made:

- Sections 12 and 30 have been revised to reflect the provisions of Rev. Proc. 2023-37.
- New section 12.08 has been added to clarify that the restatement rule in Rev. Proc. 2019-39 and Rev. Proc. 2016-37 continues to apply to all pre-approved plans.
- Section 27 has been revised to encourage use of Taxpayer Digital Communications Secure Messaging and the IRS Document Upload Tool for secure messaging and

document sharing in relation to letter ruling requests.

- Section 30.07 has been revised to reflect that payment of user fees for pre-approved plan submissions must be made through www.pay.govv.
- References have been removed throughout this revenue procedure relating to the procedures under Rev. Proc. 2013-22, I.R.B. 2013-18, 985, for obtaining opinion and advisory letters for prototype plans and VS plans under Code Sec. 403(b) with respect to an application submitted for Cycle 1, as these letters will not be issued after 2024 (unless there is an assumption of sponsorship of an approved-Code Sec. 403(b) prototype plan or volume submitter plan, or a change in name and/or address of a sponsor of an approved Code Sec. 403(b) prototype plan or volume submitter plan, as described in section .05 or section .07 of Appendix A).
- (6) Appendix F has been removed as it is no longer applicable (and Appendix G has been redesignated as Appendix F).

Rev. Proc. 2025-4 is effective January 1, 2025. Rev. Proc. 2024-4, I.R.B. 2024-1, is superseded.

AFRs Issued for January 2025

Rev. Rul. 2025-1

The IRS has released the short-term, mid-term, and long-term applicable interest rates for January 2025.

Applicable Federal Rates (AFR) for January 2025

Short-Term	Annual	Semiannual	Quarterly	Monthly
AFR	4.33%	4.28%	4.26%	4.24%
110% AFR	4.77%	4.71%	4.68%	4.66%
120% AFR	5.21%	5.14%	5.11%	5.09%
130% AFR	5.64%	5.56%	5.52%	5.50%
Mid-Term				
AFR	4.24%	4.20%	4.18%	4.16%
110% AFR	4.67%	4.62%	4.59%	4.58%
120% AFR	5.10%	5.04%	5.01%	4.99%
130% AFR	5.53%	5.46%	5.42%	5.40%
150% AFR	6.40%	6.30%	6.25%	6.22%
175% AFR	7.49%	7.35%	7.28%	7.24%
Long-Term				
AFR	4.53%	4.48%	4.46%	4.44%
110% AFR	4.99%	4.93%	4.90%	4.88%
120% AFR	5.45%	5.38%	5.34%	5.32%
130% AFR	5.90%	5.82%	5.78%	5.75%

Adjusted AFRs for January 2025

	Annual	Semiannual	Quarterly	Monthly
Short-term adjusted AFR	3.28%	3.25%	3.24%	3.23%
Mid-term adjusted AFR	3.22%	3.19%	3.18%	3.17%
Long-term adjusted AFR	3.43%	3.40%	3.39%	3.38%

The Code Sec. 382 adjusted federal long-term rate is 3.43%; 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 3.43%; the Code Sec. 42(b)(1) appropriate percentages for the 70% and 30% present value low-income housing credit are 8.02% and 3.44%, 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 5.2%. The Deemed rate of return for transfers during 2025 to pooled income funds that have been in existence for less than three taxable years is 4.0%. The average of the applicable federal mid-term rates (based on annual compounding) for the 60-month period ending December 31, 2024, is 2.53% rounded to 3%.

Exempt Status Determination Letter Application and Issuance Procedures Updated

Rev. Proc. 2025-5

The IRS has updated procedures for organizations applying for, and the issuing of determination letters on, exempt status under Code Secs. 501 and 521. These procedures apply to exempt organizations other than those relating to pension, profit-sharing, stock bonus, annuity, and employee stock ownership plans. The procedures also apply to revocation or modification of determination letters. In addition, the procedures provide guidance on the exhaustion of administrative remedies for purposes of declaratory judgment under Code Sec. 7428. Finally, this revenue procedure provides guidance on applicable user fees for requesting determination letters. The procedures are effective December 30, 2024.

Notable Changes

Notable changes include:

- Section 3.01(1) of this revenue procedure was updated with a note to explain the application of Code Sec. 4958 to organizations formerly recognized as described in Code Sec. 501(c)(3) that are now recognized as described in a different paragraph of Code Sec. 501(c).
- Section 6.05(2) of this revenue procedure was updated to revise subparagraph (w) and add subparagraphs (z) through (cc) with additional organizations that are not eligible to submit Form 1023-EZ and must use Form 1023 to apply for recognition of exemption under Code Sec. 501(c)(3).

Rev. Proc. 2024-5, I.R.B. 2024-1 is superseded.

International No Advance Ruling Issues Updated

Rev. Proc. 2025-7

The IRS has provided an updated list of subject areas under the jurisdiction of the Associate Chief Counsel (International) for which it will not issue advance letter rulings or determination letters or will issue letters only if justified by unique and compelling circumstances. The procedures are effective January 2, 2025. Rev. Proc. 2024-7, I.R.B. 2024-1, is superseded.

United States-Belarus Tax Treaty Partially Suspended

Announcement 2025-5

The United States has provided formal notice to the Republic of Belarus, confirming the partial suspension of paragraph 1, subparagraph (g), of Article III of the Convention between the United States of America and the Union of Soviet Socialist Republics on Matters of Taxation, signed in Washington on June 20, 1973 (Convention), by mutual agreement.

This partial suspension took effect on December 17, 2024, and will remain in force until December 31, 2026, unless terminated earlier by mutual agreement between the United States and Belarus. The decision follows Belarus's notification on March 21, 2024, requesting the temporary suspension of this specific treaty provision.

TAX BRIEFS

Charitable Easement Donation

The donation of a facade easement for a building in a registered historic district did not qualify the taxpayer for a charitable contribution deduction because the taxpayer failed to complete the steps necessary to have the building certified as a historic structure as required to support a deduction for a partial interest in property.

Capitol Places II Owner, LLC, TC, Dec. 62,601

IRS

The IRS has released email advice prepared in less than two hours by attorneys in the IRS's Office of Chief Counsel. In Tax Analysts, CA-DC, 2007-2 USTC ¶50,553, the Court of Appeals for the D.C. Circuit ruled that the IRS could not rely on its so-called "two-hour" rule to avoid disclosure of email sent to IRS field personnel. The documents constitute Chief Counsel Advice, which the IRS is required to publicly disclose under Code Sec. 6110. The items listed below were released as a result.

Chief Counsel Advice Memorandum 202452012; Chief Counsel Advice Memorandum 202452013

Retirement Plan Distributions

Distributions received by an individual from the retirement plans she participated in were includible in her income. The taxpayer argued that her contributions were paid for by her employer and that the distributions from the retirement plans were therefore excludable from her taxable income. However, nothing in the record showed that the taxpayer paid tax on the contributions at the time they were made or that the plans were Roth plans eligible for tax-free distributions. Further, neither the mandatory nature of the contributions to the Plans, nor the fact that they were made by her employer, served to exclude from tax distributions from the plans.

Reynolds, TC Memo. 2024-116, Dec. 62,538(M)

Tax-Exempt Organizations

Four organizations were denied tax-exempt status for not operating exclusively for exempt purposes under Code Sec. 501. In two cases, the organization did not meet the criteria for tax exemption under Code Sec. 501(c)(3). One organization failed to satisfy its annual filing requirement for tax years. Another organization was operated to benefit preselected individuals which was contrary to exemption under Code Sec. 501(c)(3). However, in all the cases, the organizations were denied tax-exempt

status because they did not meet either the operational or organizational tests and did not serve a clear exempt purpose.

IRS Letter Ruling 202452014; IRS Letter Ruling 202452015; IRS Letter Ruling 202452016; IRS Letter Ruling 202452017

Unreported Income

A married couple failed to substantiate claims that funds diverted from retirement plans were used for permissible investments under ERISA or economic development purposes. The Tax Court determined that the funds misappropriated from two retirement plans constituted taxable income under Code Sec. 61(a). The diverted funds were used for personal expenses, including extensive home renovations and efforts to acquire a golf course.

Hutcheson, TC, Dec. 62,602(M)