

# FEDERAL TAX WEEKLY

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## IRS Urges Taxpayers to Choose Tax Preparers Carefully to Protect Data

*IR-2025-21*

The IRS reminded taxpayers to choose the right tax professional to help them avoid tax-related identity theft and financial harm. The following are key tips for choosing a tax preparer:

- Look for a preparer who is available year-round for assistance after the filing season.
- Check the preparer's history using the Better Business Bureau website and verify credentials through relevant state boards or the IRS directory.
- Discuss service fees upfront and avoid preparers who base fees on a percentage of the refund or claim to secure larger refunds than competitors.
- Choose an authorized IRS e-file provider to ensure accurate and faster electronic filing.
- Provide records and receipts; avoid preparers who file returns using a pay stub instead of Form W-2.
- Understand the preparer's credentials; CPAs, attorneys, and enrolled agents can represent taxpayers before the IRS in all situations.
- Never sign a blank or incomplete return.
- Review the tax return carefully before signing, ensuring any refund is deposited into the taxpayer's account.

Further, taxpayers can report suspected preparer misconduct to the IRS using Form 14157, Complaint: Tax Return Preparer. If a preparer files or alters a return without consent, Form 14157-A, Tax Return Preparer Fraud or Misconduct Affidavit should be submitted. The IRS advised taxpayers to choose tax preparers with a valid PTIN. By law, paid preparers must have a PTIN and sign every federal tax return they prepare.

## Amendments to Alcoholic Beverage Label Regulations Proposed by TTB

*Notices, No. 237, Alcohol and Tobacco Tax and Trade Bureau, 90 FR 6654, January 17, 2025; No. 238, Alcohol and Tobacco Tax and Trade Bureau, 90 FR 5763, January 17, 2025*

The Alcohol and Tobacco Tax and Trade Bureau is proposing to amend labeling regulations to require disclosure of:

- per-serving alcohol, calorie, and nutrient content information in an "Alcohol Facts" statement on all alcohol beverage labels in Notice 237, and
- all major food allergens used in the production of alcohol beverages in Notice 238.

The TTB is also proposing mandatory alcohol content statements for certain types of malt beverages, beer, and wine that are not currently required to be labeled with an alcohol content statement. Additionally, unless an exception applies, a statement would be required on the label stating the specified allergen ingredients used in the production of the alcohol beverage.

The proposed compliance date for both proposals is five years from the date that each final rule is published in the *Federal Register*.

Comments may be submitted in writing or through the TTB Internet website. The due date for comments on

Notice No. 237 and 238, is April 17, 2025.

## Washington Round-up

**IRS identity theft processing showing signs of improvement.** National Taxpayer Advocate Erin Collins noted in a recent blog post that the Internal Revenue Service's processing time for identity theft cases is improving. The processing time includes the agency's receipt of the taxpayer's Form 14039 Identity Theft Affidavit, research of the claim's validity, and completion of necessary adjustments based on the research. Collins reported that in fiscal year 2022, the average processing cycle was 399 days. In FY 2023, it rose to 556 days, and then to 676 days in FY 2024. "Thus far in FY 2025, the IRS is averaging 506 days.... It is sad that a decrease to 506 days is good news, but after years of increases, it is positive to see the average [identity theft] case processing cycle times going down instead of up," she wrote.

**AICPA asks for more updates to Form 709.** The American Institute of

CPAs in a January 31, 2025 letter to the Internal Revenue Service, is asking the agency to provide additional clarifications and updates to Form 709, United States Gift (and Generation-Skipping Transfer) Tax Return. In making its request, AICPA noted "that the 2024 draft form and updated instructions are better than the prior version, but we continue to recommend the ... needed clarifications and improvements." The industry group offered 24 additional items of clarifications and improvements, which can be found at <https://www.aicpa-cima.com/advocacy/article/2025-tax-policy-and-advocacy-comment-letters>.

**Senate Budget Committee lays foundation for budget reconciliation bill later this year.** The Senate Budget Committee is moving forward with a fiscal year 2025 budget resolution that

will set the stage for a budget reconciliation bill later this year that is expected to extend the expiring provisions of the Tax Cuts and Jobs Act and include other cuts to the federal budget to pay for President Trump's agenda to pay for those tax cuts as well as securing the border, bolstering the military and increasing energy independence. The move comes amid a stalled budget process in the House of Representatives as members of the Republican party continue to negotiate amongst themselves over the details. Agreement among the party is needed, based on the razor-thin majority in the lower chamber of Congress that leaves practically no margin for dissention as a budget reconciliation bill will only require a simple majority to pass. Mark-up of the Senate Budget Resolution is scheduled for February 12 and 13, 2025.

## TAX BRIEFS

### *Business Expense Deductions*

An individual taxpayer was not entitled to deduct reported unreimbursed employee business expenses, or partnership losses. The taxpayer worked for a corporation. While working for the corporation, the taxpayer began two limited liability companies with two separate individuals. The taxpayer was liable for an accuracy-related penalty under Code Sec. 6662(a). The

taxpayer substantially understated his income tax, and was liable for a 20 percent accuracy-related penalty.

*Langlois, TC, Dec. 62,614(M)*

### *IRS*

The IRS Large Business and International (LB&I) has issued the following updated Practice Units, Partner's Outside Basis; Recourse vs. Nonrecourse Liabilities;

Liquidating Distributions of a Partner's Interest in a Partnership; and Identifying a Taxpayer Electing a Partial Disposition of a Building. Practice Units provide IRS staff with explanations of general tax concepts, as well as information on specific types of transactions. Practice Units are not official pronouncements of law or directives and cannot be used, relied upon or cited as such.

#### REFERENCE KEY

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

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Practice units can be found at <https://www.irs.gov/businesses/corporations/practice-units>.

### *Liens and Levies*

A limited liability company failed to establish that its pending Employee Retention Tax Credit (ERTC) claims would satisfy its unpaid payroll tax liability, and the IRS was permitted to proceed with a proposed levy under because the taxpayer did not provide the additional information necessary to process its ERTC claims.

*Peoplease, LLC, TC, Dec. 62,616(M)*

### *Private Activity Bonds*

Management fees paid by an issuer to a service provider did not cause a hotel to be used for private business under Code Sec. 141(b)(6) and Reg. §1.141-3(b)(4)(i).

*IRS Letter Ruling 202506001*

### *Self-Employment Tax*

A freelance writer was liable for self-employment tax and an accuracy-related penalty after misreporting income as “other income” rather than self-employment earnings for the tax year at issue. The Tax Court upheld the IRS’s determination that

the individual’s earnings from freelance writing and memorabilia sales were subject to self-employment tax and sustained a penalty for a substantial understatement of tax.

*Clark, TC, Dec. 62,615(M)*