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House, Senate Committees Pass Budget Resolutions

The Budget Committees in both the House of Representatives and the Senate passed budget resolutions last week, setting the path for the Republican-led Congress to use the budget reconciliation process to move President Trump's legislative agenda, including making permanent the expiring provisions in the 2017 Tax Cuts and Jobs Act.

The House Budget Committee on February 13, 2025, passed its budget resolution by a 21-16 vote. However, passage on the lower chamber floor is not guaranteed, as the razor thin majority means the GOP can only lose one vote and still pass the measure.

Additionally, the House will have to reconcile with the Senate's version of the budget resolution, which passed on a party line vote of 11-10 on February 12. That bill, however, is split into two tracks, with the first part serving as a vehicle for defense and border spending, while permanently extending the TCJA coming later in the year.

As it stands, the two bills already have differences in their budget outlays, with the House budget allocating $110 billion on border and immigration policy, with the Senate offering $175 billion. There are also differences in cuts to government spending, with the House cuts possibly not being deep enough to cover Trump's tax goals.

The Senate resolution could be sent to the floor this week, while the House won't vote on its resolution until the week of the February 24 at the earliest as the chamber is in recess for President's Day.

House Ways and Means Committee Passes IRS-Related Bills

The House Ways and Means Committee passed four bills related to tax administration, including bills to help with the recovery of stolen checks, enhancements to the National Taxpayer Advocate, and changes to how the Internal Revenue Service interprets timestamps on electronic submissions related to deadlines for filing.

The votes on the bills occurred during a February 12, 2025, markup.

Committee members unanimously passed the Recovery of Stolen Checks Act (H.R. 1155). The bill would allow taxpayers that are otherwise eligible to receive a paper check to replace a lost or stolen check to opt to receive the replacement funds electronically.

The National Taxpayer Advocate Enhancement Act of 2025 (H.R. 997), which was passed unanimously by the committee, would authorize the National Taxpayer Advocate to appoint counsel in the Office of the Taxpayer Advocate to report directly to the NTA.

In another unanimous vote, members passed the Electronic Filing and Payment Fairness Act (H.R. 1152). The bill would extend the "mailbox rule" to electronic payments. Under current law, as long as a filing is postmarked with a date prior the deadline, it is considered "received," but filings sent electronically must be received prior to the deadline. An electronic filing that is timestamped as being sent before the deadline but held up and not received until after is considered late. The bill would apply the electronic timestamp of the filing to determine whether the filing is late.

Finally, the committee unanimously passed the Internal Revenue Service Math and Taxpayer Help Act (H.R. 998) which updates the procedures and content for notices for altering taxpayers to math or clerical errors in their tax forms, as well as what needs to be done to be request abatement. The bill also includes provisions directing the IRS to implement a pilot program testing alternative delivery methods for the issuance of math error notices.

Auto Depreciation Caps and Lease Inclusion Amounts Issued

Rev. Proc. 2025-16

The IRS has issued the luxury car depreciation limits for business vehicles placed in service in 2025 and the lease inclusion amounts for business vehicles first leased in 2025.

Luxury Passenger Car Depreciation Caps

The depreciation caps for a passenger car placed in service in 2025 limit annual depreciation deductions to:

- $12,200 for the first year without bonus depreciation;
- $20,200 for the first year with bonus depreciation;
- $19,600 for the second year;
- $11,800 for the third year; and
- $7,060 for the fourth through sixth year.

Depreciation Caps for SUVs, Trucks, and Vans

The luxury car depreciation caps for a sport utility vehicle, truck, or van placed in service in 2025 are:

- $12,200 for the first year without bonus depreciation;
- $20,200 for the first year with bonus depreciation;
- $19,600 for the second year;
- $11,800 for the third year; and
- $7,060 for the fourth through sixth year,

Excess Depreciation on Luxury Vehicles

If depreciation exceeds the annual cap, the excess depreciation is deducted beginning in the year after the vehicle's regular depreciation period ends.

The annual cap for excess depreciation is:

- $7,060 for passenger cars; and
- $7,060 for SUVs, trucks, and vans.

Lease Inclusion Amounts for Cars, SUVs, Trucks, and Vans

If a vehicle is first leased in 2025, a taxpayer must add a lease inclusion amount to gross income in each year of the lease if its fair market value at the time of the lease is more than:

- $62,000 for a passenger car, or
- $62,000 for an SUV, truck or van.

The 2025 lease inclusion tables provide the lease inclusion amounts for each year of the lease.

The lease inclusion amount results in a permanent reduction in the taxpayer's deduction for the lease payments.

Discount Factor Tables for Insurance Companies Updated

Rev. Proc. 2025-15

The IRS has issued updated discount factor tables for insurance companies for the 2024 accident year, applicable for taxable years beginning in 2024. These discount factors are used to calculate discounted unpaid losses under Code Sec. 846 and discounted estimated salvage recoverable under Code Sec. 832. The IRS determined the discount factors based on the applicable interest rate for 2024 of 3.18 percent, compounded semiannually, assuming all loss payments occur in the middle of the calendar year.

Discount Factors

The tables provide separate discount factors for each line of business, distinguishing between short-tail and long-tail lines. The IRS also issued discount factors for insurance companies electing to use the composite method under Notice 88-100, 1988-2 C.B. 439. These are labeled "Short-Tail Composite" and "Long-Tail Composite."

New Line of Business

A key change to the 2024 tables is the addition of pet insurance as a separate line

REFERENCE KEY

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

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of business in Schedule P of the annual statement. Previously reported as part of the Inland Marine category under Special Property, pet insurance will now have its own classification. However, for discounting purposes, pet insurance will continue to use the Special Property discount factors.

Request for Comments

The IRS invites comments on the continued relevance of composite method discount factors following a 2024 change by the National Association of Insurance Commissioners (NAIC) to Schedule P, requiring ten years of data for all lines of business. Comments can be submitted by May 16, 2025, either electronically via www.regulations.gov or by mail to the IRS.

Current Plan Liability Rates Set for February 2025

For pension plan years beginning in February 2025, the IRS has released:

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

Corporate Bond Rate

The three 24-month average corporate bond segment rates applicable for February 2025 without adjustment for the 25-year average segment rate limits are as follows:

- 5.00 for the first segment rate;
- 5.29 for the second; and
- 5.44 for the third.

February 2025 Adjustment Segment Rate

The February 2025 adjusted segment rates for plan years beginning in 2024 are:

- 5.00 for the first segment rate;
- 5.29 for the second segment; and
- 5.59 for the third segment.

The rates for plan years beginning in 2025 are:

- 5.00 for the first segment rate;
- 5.29 for the second segment; and
- 5.50 for the third segment.

30-Year Treasury Weighted Average

For plan years beginning in February 2025, the 30-year Treasury weighted average securities rate is 3.88, with a permissible range of 3.49 to 4.07 under Code Sec. 431(c)(6)(E)(ii)(I).

The rate of interest on 30-year Treasury securities for January 2025 is 4.85 percent.

The minimum present value segment rates under Code Sec. 417(e)(3)(D) for January 2025 are:

- 4.74 for the first segment rate;
- 5.55 for the second; and
- 5.92 for the third.

Notice 2025-14

Taxpayers Urged to Use Online Tools Amid Peak Call Volume

IR-2025-22

The IRS advised taxpayers to rely on digital tools for quicker service and to avoid long wait times during the busiest times of the filing season. To help taxpayers get immediate answers, the IRS is encouraging the use of self-service tools, such as the Let Us Help You page and Where's My Refund. The agency emphasizes that electronic filing with direct deposit remain the fastest and most secure method for processing tax returns, as paper checks are more prone to issues like loss or theft.

The IRS is also highlighting free tax preparation programs, including IRS Free File, Direct File, and VITA/TCE services. Eligible taxpayers earning $84,000 or less can access IRS Free File through October 15, while Direct File is available in 25 participating states. The agency encourages taxpayers to use IRS Online Accounts to check refund status, payment history, and tax records without calling the IRS. Additionally, the Tax Withholding Estimator is available to help taxpayers adjust their withholding and avoid unexpected tax bills.

To combat tax-related identity theft, the IRS urges taxpayers to obtain an Identity Protection PIN. The agency also warned about ghost preparers, unverified tax preparers who fail to sign returns and could engage in fraudulent activity. To ensure accuracy and security, the IRS recommends using licensed tax professionals and visiting IRS.gov for trusted resources and assistance.

Conservation Easement Deduction Denied; Accuracy-Related Penalty Imposed

Green Valley Investors, LLC, TC Memo. 2025-15, Dec. 62,617(M)

A limited liability company (LLC) classified as a TEFRA partnership could not claim a charitable contribution deduction for a conservation easement because the easement deed failed to comply with the perpetuity requirements under Code Sec. 170(h)(5)(A) and Reg. § 1.170A-14(g)(6). The Tax Court determined that the language of the deed did not satisfy statutory requirements, rendering the claimed deduction invalid.

Easement Valuation

The taxpayer asserted that the highest and best use of the property was as a commercial mining site, supporting a valuation significantly higher than its purchase price. However, the Court concluded that the record did not support this assertion. The Court found that the proposed mining use was not financially feasible or maximally productive. The IRS's expert relied on comparable sales data, while the taxpayer's valuation method was based on a discounted cash-flow analysis, which the Court found speculative and not supported by market data.

Penalties

The taxpayer contended that the IRS did not comply with supervisory approval process under Code Sec. 6751(b) prior to imposing penalties. However, the Court found that the concerned IRS revenue agent duly obtained prior supervisory approval and the IRS satisfied the procedural requirements under Code Sec. 6751(b). Because the valuation of the easement reported on the taxpayer's return exceeded 200 percent of the Court-determined value, the misstatement was deemed "gross" under Code Sec. 6662(h)(2)(A)(i). Accordingly, the Court upheld accuracy-related penalties under Code Sec. 6662 for gross valuation misstatement, substantial understatement, and negligence.

TAX BRIEFS

Business Losses

In consolidated cases, a married couple was not entitled to claim theft loss or ordinary trade or business loss deductions due to lack of substantiation. Further, the taxpayers were liable for additions to tax for failure to timely file tax returns and pay taxes. Additionally, the taxpayer was also liable for additions to tax for underpayment of estimated tax.

Weston, TC, Dec. 62,618(M)

Collections

A married couple's claims challenging IRS collection activities were dismissed with prejudice due to jurisdictional defects and statutory limitations. Allegations of retaliatory tax assessments and improper penalties were precluded by prior adjudications.

Mirch, DC Calif., 2025-1 USTC ¶50,103

Disaster Relief

A January 10, 2025 notice granting relief to victims of wildfires and straight-line winds that began on January 7, 2025, in parts of California was updated by the IRS on February 11, 2025, to clarify that qualified wildfire relief payments made to Los Angeles County taxpayers affected by the disaster that are not covered by insurance or other reimbursements would be excluded from income, even if these payments are made by nonprofit organizations or other non-governmental entities.

California Disaster Relief Notice (CA-2025-1)

Exempt Organizations

An organization was denied tax-exempt status for not operating exclusively for exempt purposes under Code Sec. 501. It was operated to benefit the members' business interests which was contrary to exemption under Code Sec. 501(c)(6). The organization was denied tax-exempt status because it did not meet either the operational or organizational tests and did not serve a clear exempt purpose.

IRS Letter Ruling 202507012