

FEDERAL TAX WEEKLY

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House Ways and Means Advances Disaster Tax Relief Bills

A pair of tax bills related to tax obligations affected by natural disasters were unanimously advanced by the House Ways and Means Committee.

The Filing Relief for Natural Disasters Act (H.R. 1491) would incorporate suspension of time periods for filings due to natural disasters in extending deadlines for filing for a refund or a credit. It would also include those deadline extensions when determining when payments are due to the Internal Revenue Service.

According to the Joint Committee on Taxation's description of the bill, "any period disregarded under section 7508A with respect to the time prescribed for filing any return is treated as an extension of time for purposes of determining the limitations on a refund or credit under section 6511(b)(2)(A). In addition, under the proposal, the last date prescribed for payment of any tax under section 6303 is clarified to take into account any period disregarded under section 7508A."

The measure passed unanimously by a 44-0 vote during a February 26, 2025, markup.

The Filing Relief for Natural Disasters Act (H.R. 517) would grant the Treasury secretary the authority to postpone federal tax deadlines for those impacted by state-declared disasters as soon as the governor of a state declares a disaster or state of emergency. It would also expand the current mandatory filing deadline extension following a federal-declared disaster from 60 days to 120 days.

The measure passed unanimously by a 42-0 vote.

Melanie Krause Appointed Acting IRS Commissioner

IR-2025-24

Melanie Krause, IRS Chief Operating Officer, has been named acting IRS Commissioner. Krause will lead the IRS until a permanent Commissioner is appointed.

Krause's appointment follows the retirement of Doug O'Donnell. O'Donnell had been acting Commissioner since January. He expressed confidence in Krause's ability to guide the agency through tax season. Treasury Secretary Scott Bessent acknowledged O'Donnell's 38 years of service, commending his leadership and dedication to taxpayers.

Krause joined the IRS in 2021 as Chief Data & Analytics Officer. She has since played a key role in modernizing operations and overseeing core agency functions. With experience in federal oversight and operational strategy, Krause previously worked at the Government Accountability Office and the Department of Veterans Affairs Office of Inspector General. She became IRS Chief Operating Officer in 2024, managing finance, security, and procurement. Krause holds advanced degrees from the University of Wisconsin-Madison.

Parent Not Entitled to Deemed Paid Foreign Tax Credits for Taxes Paid by Lower-Tier CFCs

Eaton Corporation and Subsidiaries, 164 TC No. 4, Dec. 62,622

The parent corporation of two tiers of controlled foreign corporations (CFCs) with a domestic partnership interposed between the two tiers was not entitled to deemed paid foreign tax credits under Code Sec. 902 or Code Sec. 960 for taxes paid or accrued by the lower-tier CFCs owned by the domestic partnership. Code Sec. 902 did not apply because there was no dividend distribution. Code Sec. 960 did not apply because the Code Sec. 951(a) inclusions with respect to the lower-tier CFCs were not taken into account by the domestic corporation.

Background

The parent corporation owned three CFCs, which were upper-tier CFC partners in a domestic partnership. The domestic partnership was the sole U.S. shareholder of several lower-tier CFCs.

The parent corporation claimed that it was entitled to deemed paid foreign

tax credits on taxes paid by the lower-tier CFCs on earnings and profits, which generated Code Sec. 951 inclusions for subpart F income and Code Sec. 956 amounts. The amounts increased the earnings and profits of the upper-tier CFC partners.

Deemed Paid Foreign Tax Credits Did Not Apply

Before 2018, Code Sec. 902 allowed a deemed paid foreign tax credit for domestic corporations that owned 10 percent or more of the voting stock of a foreign corporation from which it received dividends, and for taxes paid by another group member, provided certain requirements were met.

The IRS argued that no dividends were paid and so the foreign income taxes paid by the lower-tier CFCs could not be deemed paid by the entities in the higher tiers.

The taxpayer agreed that Code Sec. 902 alone would not provide a credit, but

argued that through Code Sec. 960, Code Sec. 951 inclusions carried deemed dividends up through a chain of ownership. Under Code Sec. 960(a), if a domestic corporation has a Code Sec. 951(a) inclusion with respect to the earnings and profits of a member of its qualified group, Code Sec. 902 applied as if the amount were included as a dividend paid by the foreign corporation.

In this case, the domestic corporation had no Code Sec. 951 inclusions with respect to the amounts generated by the lower-tier CFCs. Rather, the domestic partnerships had the inclusions. The upper-tier CFC partners, which were foreign corporations, included their share of the inclusions in gross income. Therefore, the provision in which a domestic corporation with a Code Sec. 951 inclusion attributable to earnings and profits of an indirectly held CFC may claim deemed paid foreign tax credits based on a hypothetical dividend from the indirectly held CFC to the domestic corporation did not apply.

Kentucky Victims of Severe Storms, Straight-line Winds, Flooding, and Landslides Granted Tax Relief

Kentucky Disaster Relief Notice (KY-2025-02)

The president has declared a federal disaster area in Kentucky. The disaster is due to severe storms, straight-line winds, flooding, and landslides that began on February 14, 2025. The disaster area includes the entire state of Kentucky. Taxpayers who

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

Kentucky Filing Deadlines Extended

The IRS extended certain deadlines falling on or after February 14, 2025, and on or

before November 3, 2025. These deadlines have been postponed to November 3, 2025. This extension includes filing for most returns, including:

- individual, corporate, estate, and trust income tax returns;
- partnership and S corporation income tax returns;

REFERENCE KEY

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

FEDERAL TAX WEEKLY, 2025 No. 10. Published by Wolters Kluwer, 2700 Lake Cook Road, Riverwoods, IL 60015.
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- 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

Kentucky Payment Deadlines Extended

The relief includes extra time to make tax payments. This includes quarterly estimated tax payments due on or after February 14, 2025 and before November 3, 2025. Taxpayers have until November 3, 2025, to perform other time-sensitive actions due on or after February 14, 2025, and on or before November 3, 2025.

The IRS has excused late penalties for employment and excise tax deposits due on or after February 14, 2025, and before March 3, 2025; but, the taxpayer must make the deposits by March 3, 2025.

IRS Expands Individual Online Account Tool

The IRS has expanded its Individual Online Account Tool to include information return documents, simplifying tax filing for taxpayers. The first additions are Form W-2, Wage and Tax Statement, and Form 1095-A, Health Insurance Marketplace Statement, for tax years 2023 and 2024. These forms are now accessible under the Records and Status tab in the taxpayer's Online Account. This enhancement aligns with the IRS's broader modernization efforts, allowing taxpayers to securely access tax documents digitally. More information return documents will be added in the future.

Only documents issued in the taxpayer's name will be available, meaning spouses must log into their respective accounts for their documents. State and local tax details will not be included. The IRS encourages taxpayers to file their returns on time, even if documents are missing or incorrect, by contacting issuers for corrections. The tax filing deadline for most individuals remains April 15, 2025.

IR-2025-28

Casualty Losses

Affected taxpayers can claim disaster-related casualty losses on their federal income tax return. Taxpayers may obtain relief by claiming their losses on their 2024 or 2025 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:

“3624-EM” at the top of the return. This will allow the IRS to speed refund processing.

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.

Taxpayers Warned To Watch Out for Common Tax Scams

IR-2025-26

The IRS released its annual Dirty Dozen list of tax scams for 2025. The Dirty Dozen list cautions taxpayers, businesses, and tax professionals about schemes that threaten their financial and tax information. The IRS identified the following 12 scams in its 2025 Dirty Dozen list:

- email phishing scams;
- bad social media advice;
- IRS Individual Online Account help from scammers;
- fake charities;
- false fuel tax credit claims;
- credits for sick leave and family leave;
- bogus self-employment tax credit;
- improper household employment taxes;
- overstated withholding scam;
- misleading offers in compromise;
- ghost tax return preparers; and
- new client scams and spear phishing.

The IRS also urges taxpayers to report abusive tax schemes and dishonest preparers. Taxpayers can report such schemes to the IRS using Form 14242 – Report Suspected Abusive Tax Promotions or Preparers, available online or by mail.

IRS Encourages Taxpayers To Use Refund Tool

IR-2025-25

The IRS is urging taxpayers to use the “Where’s My Refund?” tool on IRS.gov to track their 2024 tax return status.

Following are key details about the tool and the refund process:

- E-filers can check their refund status within 24 hours, while paper filers may need to wait about four weeks.
- The tool is available 24/7 and provides refund details for 2024, 2023, and 2022 tax returns.
- The tool is mobile-friendly and accessible via the IRS2Go app.

- The IRS updates the tool once daily, typically overnight, making multiple daily checks unnecessary.
- To check refund status, taxpayers must provide their Social Security number (or ITIN), filing status, and exact refund amount. Refunds are issued within 21 days. E-filing and direct deposit will result in the

fastest processing. However, delays may occur due to errors, tax credit adjustments, or bank processing times. The IRS notifies taxpayers by mail if additional information is required.

In addition, the IRS provides other tax-related resources, such as:

- IRS.gov, which offers 24/7 resources for filing tips, tax professionals, Free File, scam awareness, and the Interactive Tax Assistant; and
- The Where's My Amended Return? tool, where taxpayers can check amended returns.

Washington Round-up

House, Senate on collision course over budget. The House of Representatives and the Senate passed differing paths towards a budget reconciliation bill. The House bill, passed February 25, 2025 by a 217-215 vote with one Republican dissenting and joining all the Democrats in opposition of the bill, is one massive bill that would include extensions of the Tax Cuts and Jobs Act and other tax goals of the Trump Administration in addition to addressing border security and other priorities. The Senate bill, passed February 21, 2025, by a 52-48 vote with one Republican dissenting and joining all Democrats in opposition, addresses only border security, energy, and defense spending and defers tax legislation, with plans to pass that separately later in the year. In order to use the budget

reconciliation process to move either of these bills and avoid needing 60 votes to pass the budget in the Senate, both the House and the Senate need to pass identical language. No date has been set as to when the two chambers will get together to reconcile their different approaches and vote on a unified bill.

AICPA pushes for continued IRS modernization funding. The American Institute of CPAs in written testimony submitted to the House Ways and Means Subcommittee on Oversight called for continuing the funding to the Internal Revenue Service for modernization, including for enhanced technology infrastructure, improved taxpayer services, and IRS governance and oversight. Funding would not only cover technology

improvement, but for hiring, adequate training and management of personnel to accomplish the modernization goals. "The leaders of the IRS must have the experience and skills to motivate their workforce and lead them to the realization of the desired vision," AICPA said in its testimony. The call for more funding and hiring comes amid the executive branch terminating the employment of thousands of IRS employees and the Republican-led Congress looking for significant budget reductions across the federal government to offset trillions in tax cuts. A copy of the testimony and other AICPA tax policy and advocacy comment letters can be found at <https://www.aicpa-cima.com/advocacy/article/2025-tax-policy-and-advocacy-comment-letters>.

TAX BRIEFS

Exempt Organizations

Three organizations were denied tax-exempt status for not operating exclusively for exempt purposes under Code Sec. 501. In all three 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 202508005; IRS Letter Ruling 202508006; IRS Letter Ruling 202509015

IRA Distributions

A decedent's spouse was treated as the payee or distributee of IRA proceeds under Code Sec. 408(d)(1) and (d)(3) because the IRA was not considered an inherited IRA within

the meaning of Code Sec. 408(d)(3)(C) with respect to the taxpayer. Being the sole executor and sole beneficiary of the estate, the taxpayer could effectively treat the IRA as its own for purposes of the rollover.

IRS Letter Ruling 202508002

Information Reporting

A life insurance agency was not required to report rebates paid to customers under Code Sec. 6041, as such payments were considered purchase price adjustments rather than taxable income. The agency, organized issued rebates as part of its commission-sharing practice to reduce customers' life insurance premiums. The IRS determined that these rebates did not

constitute gross income under Code Sec. 61 and, therefore, were not subject to information reporting requirements under Code Sec. 6041.

IRS Letter Ruling 202509005

Statute of Limitations

A married couple failed to establish that they were identified partners in a partnership in which they held an ownership interest as the required identification information was not provided in accordance with Reg. § 301.6223(c)-1T. Thus, the Tax Court denied the motion for reconsideration and reaffirmed its prior ruling, which held that the IRS deficiency notices were properly issued and that the statute

of limitations for assessing deficiencies remained open due to a suspension under Code Sec. 6229(d)(2) following the issuance of a Final Partnership Administrative Adjustment (FPAA) for the partnership.

Alan Hamel and Estate of Suzanne Hamel, TC, Dec. 62,623(M)

Supreme Court Docket

A petition for review was denied in *Shands v. IRS* (CA-D.C.). A whistleblower was denied a whistleblower award in connection with amounts collected in IRS Offshore Voluntary Disclosure Initiative (OVDI) proceedings. Because each OVDI

case was triggered by a taxpayer's voluntary disclosure, no individual OVDI case was a civil or criminal proceeding against any person. OVDI had no resemblance to the IRS-driven actions listed as examples of administrative actions.