

FEDERAL TAX WEEKLY

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BOI Regs Will Not Be Enforced Domestically – Treasury

The Department of the Treasury will not be enforcing beneficial ownership information regulations on U.S. citizens or domestic companies or their beneficial owner under existing deadlines.

In a March 2, 2025, announcement, the agency added that it will “not enforce any penalties or fines against U.S. citizens or domestic reporting companies or their beneficial owners after the forthcoming rule changes take effect either.”

According to the announcement, the Treasury Department is planning to issue a notice of proposed rulemaking “that will narrow the scope of the rule to foreign companies only. Treasury takes this step in the interest of supporting hard-working American taxpayers and small businesses and ensuring that the rule is appropriately tailored to advance the public interest.”

The current statute does not limit BOI reporting to foreign companies.

The announcement by Treasury comes in the wake of the Financial Crimes Enforcement Network announcing that mandatory reporting was back in effect with a new reporting deadline 30 calendar days from February 19, 2025, for most companies. The new deadline followed a stay on the injunction order against the reporting requirements put in place by the U.S. District Court for the Eastern District of Texas.

As of March 10, 2025, the FinCEN BOI website still carries the following alert, updated February 19, 2025: “Beneficial ownership reporting requirements are back in effect, with a new deadline of March 21, 2025, for most companies. FinCEN will assess its options for further modifying deadlines.”

However, FinCEN also issued an announcement on February 27, 2025, stating that it “will not issue any fines or penalties or take any other enforcement actions against companies based on any failure to file or update beneficial ownership information (BOI) reports pursuant to the Corporate Transparency Act by the current deadlines.”

FinCEN added in that announcement that by March 21, 2025, it “intends to issue an interim final rule that extends BOI reporting deadlines, recognizing the need to provide new guidance and clarity as quickly as possible, while ensuring that BOI that is highly useful to important national security, intelligence, and law enforcement activities is reported.”

The agency is also planning on soliciting public comment on potential revising BOI reporting requirements for an NPRM that will be issued “later this year.”

Grant Payment to Corporation Was Not Excluded from Income

CF Headquarters Corporation, 164 TC No. 5, Dec. 62,627

A grant disbursement to a corporation to be used for rent payments following the September 11, 2001 terrorist attacks on the World Trade Center was not excluded from the

corporation's gross income. Grants were made to affected businesses with funding provided by the U.S. Department of Housing and Urban Development. The corporation's grant agreement required the corporation to employ a certain number of people in New York City, with a portion of those people employed in lower Manhattan for a period of time. Pursuant to this agreement, the corporation requested a disbursement as reimbursement for rent expenses.

Exclusions from Gross Income

Under the expansive definition of gross income, the grant proceeds were income unless specifically excluded. Payments are only excluded under Code Sec. 118(a) when a transferor intends to make a contribution to the permanent working capital of a corporation. The grant amount was not connected to capital improvements nor restricted for use in the acquisition of capital assets. The transferor intended to reimburse the corporation for rent expenses and not to make a capital contribution. As a result, the grant was intended to supplement income and defray current operating costs, and not to build up the corporation's working capital.

The grant proceeds were also not a gift under Code Sec. 102(a). The motive for providing the grant was not detached and disinterested generosity, but rather a long-term commitment from the company to create and maintain jobs. In addition, a review of the funding legislation and associated legislative

Second Quarter 2025 Interest Rates Remain Unchanged

The over and underpayment interest rates for the second quarter of 2025 remain unchanged. The second quarter begins on April 1, 2025. The rates will be:

- 7 percent for overpayments
- 6 percent for corporate overpayments
- 7 percent for underpayments, and
- 9 percent for large corporate underpayments.

The interest rate for the part of a corporate overpayment exceeding \$10,000 is 4.5 percent.

Computation of Second Quarter 2025 Interest Rates

The IRS computes these interest rates quarterly. The first quarter rates are based on the federal short-term rate for January 2025 which is 4 percent.

For noncorporate taxpayers:

- the overpayment rate is the short-term rate plus 3 percent, and
- the underpayment rate is the short-term rate plus 3 percent.

For corporate taxpayers:

- the underpayment rate is the short-term rate plus 3 percent
- the overpayment rate is the federal short-term rate plus 2 percent.
- the rate on the part of a corporate overpayment that exceeds \$10,000 for a tax period is the short-term rate plus 0.5.
- the underpayment rate for large corporations is 9 percent.

Rev. Rul. 2025-7; IR-2025-29

history did not show that Congress possessed the requisite donative intent to consider the grant a gift. The program was intended to support the redevelopment of the area after the terrorist attacks. Finally, the grant was not excluded as a qualified disaster relief payment under Code Sec. 139(a) because that provision is only applicable to individuals.

Accuracy-Related Penalty

Because the corporation relied on Supreme Court decisions, statutory language, and regulations, there was substantial authority for its position that the grant proceeds were excluded from income. As a result, the accuracy-related penalty was not imposed.

Eligibility Requirements Waived for Individuals in Ukraine, Iraq, Haiti, and Bangladesh Claiming Foreign Earned Income Exclusion

Rev. Proc. 2025-17

The IRS has issued a waiver for individuals who failed to meet the foreign earned income

or deduction eligibility requirements of Code Sec. 911(d)(1) because adverse conditions in certain foreign countries prevented them from fulfilling the requirements for the 2024

tax year. Qualified individuals may elect to exclude from gross income their foreign earned income and to exclude or deduct the housing cost amount.

REFERENCE KEY

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

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Relief Provided

The IRS, in consultation with the Secretary of State, has determined that war, civil unrest, or similar adverse conditions precluded the normal conduct of business in the following countries, effective from the dates specified: (1) Ukraine – January 13, 2024; (2) Iraq – January 18, 2024; (3) Haiti – January 23, 2024; and (4) Bangladesh – August 5, 2024. An individual who left any of these countries on or after the respective dates will be treated as a qualified individual for the period during which the individual was a bona fide resident of, or was present in, the country. To qualify for relief, an individual must establish that, but for these adverse conditions, they would have met the requirements of Code Sec. 911(d)(1). Additionally, the waiver does not apply to individuals who first established residency or were physically present in Ukraine after January 13, 2024. Taxpayers seeking guidance on how to claim this exclusion or file an amended return should refer to the Foreign Earned Income Exclusion section at <https://www.irs.gov/individuals/international-taxpayers/foreign-earned-income-exclusion> or contact a local IRS office.

IRS Releases Excludable or Deductible Foreign Housing Expenses for 2025

Notice 2025-16

The IRS has provided the foreign housing expense exclusion/deduction amounts for tax year 2025. Generally, a qualified individual whose entire tax year is within the applicable period is limited to maximum housing expenses of \$39,000 for 2025.

AFRs Issued For March 2025

Rev. Rul. 2025-6

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

Applicable Federal Rates (AFR) for March 2025

	Annual	Semiannual	Quarterly	Monthly
Short-Term				
AFR	4.31%	4.26%	4.24%	4.22%
110% AFR	4.74%	4.69%	4.66%	4.64%
120% AFR	5.18%	5.11%	5.08%	5.06%
130% AFR	5.62%	5.54%	5.50%	5.48%
Mid-Term				
AFR	4.46%	4.41%	4.39%	4.37%
110% AFR	4.91%	4.85%	4.82%	4.80%
120% AFR	5.36%	5.29%	5.26%	5.23%
130% AFR	5.81%	5.73%	5.69%	5.66%
150% AFR	6.73%	6.62%	6.57%	6.53%
175% AFR	7.87%	7.72%	7.65%	7.60%
Long-Term				
AFR	4.82%	4.76%	4.73%	4.71%
110% AFR	5.31%	5.24%	5.21%	5.18%
120% AFR	5.79%	5.71%	5.67%	5.64%
130% AFR	6.29%	6.19%	6.14%	6.11%

Adjusted AFRs for March 2025

	Annual	Semiannual	Quarterly	Monthly
Short-term adjusted AFR	3.26%	3.23%	3.22%	3.21%
Mid-term adjusted AFR	3.38%	3.35%	3.34%	3.33%
Long-term adjusted AFR	3.64%	3.61%	3.59%	3.58%

The Code Sec. 382 adjusted federal long-term rate is 3.64%; 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 3.67%; the Code Sec. 42(b)(1) appropriate percentages for the 70% and 30% present value low-income housing credit are 8.08% and 3.46%, 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 5.4%.

Similarly, the computation of the base housing amount is also tied to the maximum foreign earned income exclusion. In fact, the base housing amount is 16-percent of the maximum exclusion amount (computed on a daily basis), multiplied by the number of days in the applicable period that fall within

the tax year. The notice also provides a table containing information on adjusted limitations on housing expenses, in lieu of the otherwise applicable limitation of \$39,000 for 2025.

Notice 2024-31, I.R.B. 2024-15, 869, is superseded.

TAX BRIEFS

Energy-Efficient Building Deduction

The designer of an energy efficient building improperly reported deductions under Code Sec. 179D transferred to it by the tax-exempt building owner. The deductions should have been claimed on an amended returns for the tax year the properties were placed in service. The taxpayer could not claim the deductions in a subsequent year as a Code Sec. 481(a) adjustment because it did not change its method of accounting

The Cannon Corporation and Subsidiaries, CA-2, 2025-1 ustr ¶50,111

Hobby Losses

A married couple was not entitled to deductions for losses from horse racing and farming activities. The Tax Court determined that the activities were not intended for profit under Code Sec. 183 and the

couple's primary motivation was personal enjoyment rather than financial gain.

Bucci, CA-2, 2025-1 ustr ¶50,115

Tax Crimes

An individual taxpayer willfully violated Code Sec. 7202. This served as collateral estoppel of the claim that the taxpayer was not a responsible person who acted willfully.

Mclain, CA-9, 2025-1 ustr ¶50,113

Supreme Court Docket

A petition for review was denied in the following case:

F.W. Bibeau, CA-8- An individual's self-employment income from his law practice was not exempt from federal taxation. The taxpayer was an enrolled member of the Minnesota Chippewa Tribe. The taxpayer

argued that the Indian Citizenship Act (the Act) lacked clear and precise language authorizing Congress to tax Indians. Further, the taxpayer argued that Congress must expressly authorize the federal taxation of Indians before income taxes can be levied. However, Indians, as citizens of the United States, are generally subject to taxation. Since the Act took effect in 1924, all native-born Indians have been U.S. citizens, and the Code does not grant tax exemptions solely because a taxpayer is an Indian. Additionally, the taxpayer's argument cuts against the well-established legal proposition that Indians are subject to federal income tax unless specifically exempted by treaty or statute. Accordingly, since no treaty or statute expressly or implicitly exempted the taxpayer's income from taxation, his self-employment income was taxable.