



FEDERAL TAX WEEKLY

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Taxpayers Encouraged to Use Direct File, Now Available in 25 States

IR-2025-30; FS-2025-2

The IRS is encouraging taxpayers to take advantage of Direct File, to prepare and file tax returns directly with the IRS. Direct File is now available in 25 states. IRS Free File also offers free tax preparation software through its partners on the IRS website. Also, the IRS offers free, in-person, help through its Volunteer Income Tax Assistance (VITA) and the Tax Counseling for the Elderly (TCE) programs.

Direct File

Last year Direct File supported taxpayers claiming the Earned Income Tax Credit, the Child Tax Credit, and the Credit for Other Dependents.

This year, Direct File would also cover taxpayers claiming the:

- Child and Dependent Care Credit;
- Premium Tax Credit;
- Credit for the Elderly and Disabled;
- Retirement Savings Contribution Credits; and
- Health Savings Accounts deductions.

The Treasury Department has estimated that more than 30 million taxpayers are now eligible to use Direct File in the following 25 states: Alaska, Arizona, California, Connecticut, Florida, Idaho, Illinois, Kansas, Maine, Maryland, Massachusetts, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Oregon, Pennsylvania, South Dakota, Tennessee, Texas, Washington state, Wisconsin, and Wyoming.

IRS Free File

This year the IRS Free File guided tax software products are available to taxpayers with a 2024 adjusted gross income (AGI) of \$84,000 or less. IRS Free File also provides fillable forms for taxpayers, regardless of income, who are comfortable preparing their own return.

Other Free Options

The IRS reminds taxpayers that there are other free programs available, such as the following:

- VITA/Tax Counseling for the Elderly. Taxpayers can find organizations in their community with IRS certified volunteers that provide free tax help for eligible taxpayers including working families, the elderly, the disabled, and people who speak limited English.
- MilTax. A Department of Defense program, MilTax generally offers free return preparation and electronic filing software for federal income tax returns and up to three state income tax returns for all military members, and some veterans, with no income limit.

Finally, the IRS advises taxpayers to be vigilant and be aware of scams when filing taxes.

IRS Says Electronic Payments Are Fast, Safe and Avoid Penalties

IR-2025-32

The IRS is encouraging taxpayers to file or pay taxes using electronic options on IRS.gov. These digital tools help to avoid late filing and interest fees. All taxpayers – regardless of income – can use IRS Free File to electronically file a six-month extension of time to file before April 15. An extension gives taxpayers until October 15 to file. However, taxpayers must pay taxes due by the April 15 deadline, regardless of any extension to file returns not related to disaster relief.

Electronic Payment Options

Taxpayers can use the following electronic payment options:

- An IRS Online Account gives taxpayers access to important information when preparing to file a tax return, pay a balance, or follow up on notices
- Direct Pay is free and allows taxpayers to securely pay their taxes from their checking or savings account without any fees or registration.
- The IRS2Go mobile app is the official mobile app of the IRS. On it, taxpayers can check their refund status, make a payment, find free tax preparation assistance, sign up for helpful tax tips, and more.

Current Plan Liability Rates Set for March 2025

For pension plan years beginning in March 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 March 2025 without adjustment for the 25-year average segment rate limits are as follows:

- 4.99 for the first segment rate;
- 5.30 for the second; and
- 5.48 for the third.

March 2025 Adjustment Segment Rate

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

- 4.99 for the first segment rate;
- 5.30 for the second segment; and
- 5.59 for the third segment.

The rates for plan years beginning in 2025 are:

- 4.99 for the first segment rate;
- 5.30 for the second segment; and
- 5.50 for the third segment.

30-Year Treasury Weighted Average

For plan years beginning in March 2025, the 30-year Treasury weighted average securities rate is 3.93, with a permissible range of 3.54 to 4.13 under Code Sec. 431(c)(6)(E)(ii)(I).

The rate of interest on 30-year Treasury securities for February 2025 is 4.68 percent.

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

- 4.65 for the first segment rate;
- 5.38 for the second; and
- 5.81 for the third.

Notice 2025-17

Taxpayers who cannot pay in full should consider multiple payment options. Most individual taxpayers qualify for a payment plan and can use the IRS online payment

agreement to set up a plan to pay off an outstanding balance over time.

This guidance comes as part of the Tax Time Guide.

REFERENCE KEY

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

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West Virginia Victims of Severe Storms, Flooding, and Landslides Granted Tax Relief

IR-2025-34

The IRS has extended tax relief to the victims of severe storms, straight-line winds, flooding, landslides, and mudslides in parts of West Virginia until November 3, 2025, to file various individual and business tax returns and make tax payments. The relief applies to affected taxpayers in Logan, McDowell, Mercer, Mingo, Wayne, and Wyoming counties.

Filing and Payment Deadlines Extended

The IRS has postponed various tax filing and payment deadlines that occurred starting on February 15, 2025. As a result, the affected taxpayers now have until November 3, 2025, to file returns and pay

any taxes that were originally due during this period. This includes individuals who had a valid extension to file their 2024 income tax return.

The November 3, 2025 deadline applies to estimated income tax payments due on April 15, June 16, and September 15, 2025. In addition, the quarterly payroll and excise tax returns normally due on April 30, July 31, and October 31, 2025, are now also due on November 3, 2025. Penalties on payroll and excise tax deposits due on or after February 15, 2025, and before March 3, 2025, will be abated as long as the deposits were made by March 3, 2025.

The affected taxpayers do not need to contact the IRS to obtain this relief. The IRS will work with taxpayers who live outside the disaster area but whose records necessary to meet a deadline occurring during the postponement period are located in the

affected area. Taxpayers qualifying for relief who live outside the disaster area need to contact the IRS at 866-562-5227.

Casualty Losses

Individuals and businesses in a federally declared disaster area who suffered uninsured or unreimbursed disaster-related losses can choose to claim them on either the return for the year the loss occurred (2025) or the return for the prior year (2024). Taxpayers claiming a disaster loss on their tax return should write the appropriate FEMA declaration number – “4861-DR” – on any return claiming a loss. Finally, the IRS recommends that taxpayers see Publication 547 and visit disasterassistance.gov for information on disaster recovery.

Retirees Reminded of Required Withdrawals from IRAs and Code Sec. 401(k) Plans

IR-2025-33

The IRS reminds retirees who turned 73 in 2024 to begin required withdrawals from Individual Retirement Arrangements (IRAs), and Code Sec. 401(k) plans by April 1, 2025. While required minimum distributions (RMDs) are typically due by year-end, individuals who turned 73 in 2024 can delay their first RMD until April 1. Subsequent distributions remain due annually by December 31. The IRS outlined the following rules and guidelines:

- RMD rules apply to traditional, SEP, and SIMPLE IRAs, as well as workplace plans, but do not apply to Roth IRAs.
 - IRA trustees are required to inform owners of their RMD amount or offer to calculate it, with the amount appearing on Form 5498.
 - Traditional IRA owners and most workplace plan participants must meet the April 1 deadline.
 - Business owners holding at least a 5 percent stake, as well as SEP and SIMPLE IRA participants, cannot defer their first withdrawal.
 - Public school employees and tax-exempt staff with pre-1987 Code Sec. 403(b) plan accruals are advised to consult their employer or plan administrator for guidance.
- The IRS provides resources such as RMD FAQs, Publication 590-B (including worksheets and guidance), life expectancy tables in Appendix B, and the Tax Information for Seniors and Retirees page. These resources help retirees accurately calculate their RMDs, understand applicable deadlines, and comply with tax regulations.

IRS Reminds Taxpayers of April 15 Deadline and Unclaimed Refunds

IR-2025-31

The IRS reminds taxpayers of unclaimed refunds for tax year 2021 and the April 15 deadline to submit their tax returns. By missing out on filing a tax return, people stand to lose more than just their refund of taxes withheld or paid during 2021.

For 2021, the Earned Income Tax Credit (EITC) was worth as much as \$6,728 for taxpayers with qualifying children. The thresholds for 2021 were:

- \$51,464 (\$57,414 if married filing jointly) for those with three or more qualifying children;
- \$47,915 (\$53,865 if married filing jointly) for people with two qualifying children;
- \$42,158 (\$48,108 if married filing jointly) for those with one qualifying child; and
- \$21,430 (\$27,380 if married filing jointly) for people without qualifying children.

Taxpayers usually have three years to file and claim their tax refunds. If they

do not file within three years, the money becomes the property of the Treasury. The fastest and easiest way to view, download, or print current and prior tax records and transcripts is to create or log in to their Individual Online Account at IRS.gov.

Refunds may be held if taxpayers have not filed tax returns for 2022 and 2023. A refund amount for 2021 will be applied to amounts still owed to the IRS or a state tax agency. These amounts may also be used to offset unpaid child support or other past due federal debts such as student loans.

TAX BRIEFS

Alimony

An appeals court affirmed that payments made by an individual taxpayer to his ex-wife did not meet the statutory criteria for deductible alimony. The taxpayer's payments were not deductible alimony because the governing divorce instruments contained multiple clear, explicit, and express directions to that effect. The agreement had a separate clause obligating the taxpayer to pay a taxable sum as periodic alimony each month.

Martino, CA-11, 2025-1 USTC ¶150,116

Charitable Contribution Deduction

A married couple was not entitled to a charitable contribution deduction for donating tangible personal property to a charity. The taxpayers' appraisers failed to meet the requirements of a "qualified appraiser" under Code Sec. 170(f)(11)(E)(ii) because they did not regularly perform appraisals for which they received compensation.

Cade, TC, Dec. 62,628(M)

Exempt Organizations

An organization was denied tax-exempt status for not operating exclusively for exempt purposes under Code Sec. 501. The organization did not meet either the

operational or organizational tests and did not serve a clear exempt purpose. The organization did not meet the criteria for tax exemption under Code Sec. 501(c)(3), making donor contributions disqualified for tax deduction under Code Sec. 170.

IRS Letter Ruling 202511016

Kentucky Disaster Notice Updated

A February 24, 2025 notice granting relief to victims of severe storms, straight-line winds, flooding, and landslides that began on February 14, 2025, in parts of Kentucky was updated by the IRS on March 5, 2025, to correct the quarterly payroll and excise tax returns due dates of April 30, July 31, and October 31, 2025.

Kentucky Disaster Relief Notice (KY-2025-02)

Research Credit

A corporation was denied permission to revoke its inadvertent election to reduce the research credit under Code Sec. 280C(c). Code Sec. 280C(c)(2)(C) expressly provides that the election is irrevocable.

IRS Letter Ruling 202511001

Theft Losses

The IRS Chief Counsel ruled on theft losses under Code Sec. 165 due to an illegal

taking of property. Because Taxpayers 1, 2, and 3. entered into the transaction for profit, their theft loss was deductible in 2024, the year they discovered the theft and determined there was no reasonable prospect of recovery. However, the loss was not deductible for Taxpayers 4 and 5 because they did not incur the loss in a transaction entered into for profit. None of the taxpayers were eligible to use the Ponzi loss safe harbor of Rev. Proc. 2009-20, as modified by Rev. Proc. 2011-58, because the scammer's conduct did not satisfy the safe harbor requirements.

Chief Counsel Advice Memorandum 202511015

Unreported Income

A married couple could not establish that wages and unemployment compensation were not includible in gross income under Code Secs. 61(a)(1) and 85(a). Accordingly, the couple was liable for income tax deficiencies assessed by the IRS. The Tax Court determined that wages from multiple employers and unemployment compensation from the Utah Department of Workforce Services, constituted taxable income under Code Secs. 61(a)(1) and 85(a), respectively.

Christiansen, TC, Dec. 62,629(M)