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INSIDE THIS ISSUE

AICPA Applauds Passage Of Tax Administration Bills In The House

The American Institute of CPAs in a March 31 letter to House of Representatives voiced its "strong support" for a series of tax administration bills passed in recent days.

The four bills highlighted in the letter include the Electronic Filing and Payment Fairness Act (H.R. 1152), the Internal Revenue Service Math and Taxpayer Help Act (H.R. 998), the Filing Relief for Natural Disasters Act (H.R. 517), and the Disaster Related Extension of Deadlines Act (H.R. 1491).

All four bills passed unanimously.

H.R. 1152 would apply the "mailbox" rule to electronically submitted tax returns and payments. Currently, a paper return or payment is counted as "received" based on the postmark of the envelope, but its electronic equivalent is counted as "received" when the electronic submission arrived or is reviewed. This bill would change all payment and tax form submissions to follow the mailbox rule, regardless of mode of delivery.

"The AICPA has previously recommended this change and thinks it would offer clarity and simplification to the payment and document submission process," the organization said in the letter.

H.R. 998 "would require notices describing a mathematical or clerical error be made in plain language, and require the Treasury Secretary to provide additional procedures for requesting an abatement of a math or clerical adjustment, including by telephone or in person, among other provisions," the letter states.

H.R. 517 would allow the IRS to grant federal tax relief once a state governor declares a state of emergency following a natural disaster, which is quicker than waiting for the federal government to declare a state of emergency as directed under current law, which could take weeks after the state disaster declaration. This bill "would also expand the mandatory federal filing extension under section 7508(d) from 60 days to 120 days, providing taxpayers with additional time to file tax returns following a disaster," the letter notes, adding that increasing the period "would provide taxpayers and tax practitioners much needed relief, even before a disaster strikes."

H.R. 1491 would extend deadlines for disaster victims to file for a tax refund or tax credit. The legislative solution "granting an automatic extension to the refund or credit lookback period would place taxpayers affected my major disasters on equal footing as taxpayers not impacted by major disasters and would afford greater clarity and certainty to taxpayers and tax practitioners regarding this lookback period," AICPA said.

Also passed by the House was the National Taxpayer Advocate Enhancement Act (H.R. 997) which, according to a summary of the bill on Congress.gov, "authorizes the National Taxpayer Advocate to appoint legal counsel within the Taxpayer Advocate Service (TAS) to report directly to the National Taxpayer Advocate. The bill also expands the authority of the National Taxpayer Advocate to take personnel actions with respect to local taxpayer advocates (located in each state) to include actions with respect to any employee of TAS."

Finally, the House passed H.R. 1155, the Recovery of Stolen Checks Act, which would require the Treasury to establish procedures that would allow a taxpayer to elect to receive replacement funds electronically from a physical check that was lost or stolen.

All bills passed unanimously. The passed legislation mirrors some of the provisions included in a discussion draft legislation issued by the Senate Finance Committee in January 2025. A section-by-section summary of the Senate discussion draft legislation can be found at https://www.finance.senate.gov/imo/media/doc/tas_act_discussion_draft_section_by_section.pdf.

AICPA's tax policy and advocacy comment letters for 2025 can be found https://www.aicpa-cima.com/advocacy/article/2025-tax-policy-and-advocacy-comment-letters.

Public Comments Sought for Priority Guidance Plan

Notice 2025-19

The IRS has invited the public to suggest items that should be included on the 2025–2026 Priority Guidance Plan. Recommendations can be submitted at any time during the year, but only those submitted by May 30, 2025, will be considered for inclusion on the original 2025–2026 Priority Guidance Plan. The IRS has invited the public to suggest items that should be included on the 2025–2026 Priority Guidance Plan. Recommendations can be submitted at any time during the year, but only those submitted by May 30, 2025, will be considered for inclusion on the original 2025–2026 Priority Guidance Plan.

Recommendations need not be in any particular format but should briefly describe the recommended guidance and explain the need for it. An analysis of how the issue should be resolved may also be included. The IRS would consider it to be helpful if taxpayers suggesting more than one guidance project, prioritize the projects by order of importance. If a large number of projects are being suggested, it also would be helpful if the projects were grouped in terms of high, medium or low priority. If the recommendation involves modifying or withdrawing existing guidance, the taxpayer should explain how this would reduce cost or burden, improve administration, or address issues described in Executive Order 14219.

Comments

Comments may be submitted electronically via the Federal eRulemaking Portal (type IRS-2025-0036 in the search field on the homepage to find this notice and submit comments). Written comments can also be mailed to: Internal Revenue Service, Attn: CC:PA:01:PR (Notice 2025-19), Room 5203, P.O. Box 7604, Ben Franklin Station, Washington, D.C. 20044.

Value Claimed on Tax Return Exceeded Valuation of Conservation Easement

Ranch Springs, LLC, 164 TC No. 6, Dec. 62,636

The Tax Court ruled that the value claimed on a taxpayer's return exceeded the value of a conservation easement by 7,694 percent. The taxpayer was a limited liability company, classified as a TEFRA partnership. The Tax Court used the comparable sales method, as backstopped by the price actually paid to acquire the property.

The taxpayer was entitled to a charitable contribution deduction based on its fair market value. The easement was granted upon rural land in Alabama. The property was zoned A–1 Agricultural, which permitted agricultural and light residential use only. The property transaction at occurred at arm's length between a willing seller and a willing buyer.

Rezoning

The taxpayer failed to establish that the highest and best use of the property before the granting of the easement was limestone mining. The taxpayer failed to prove that rezoning to permit mining use was reasonably probable.

Land Value

The taxpayer's experts erroneously equated the value of raw land with the net present value of a hypothetical limestone business conducted on the land. It would not be profitable to pay the entire projected value of the business.

Penalty Imposed

The claimed value of the easement exceeded the correct value by 7,694 percent. Therefore, the taxpayer was liable for a 40 percent penalty for a gross valuation misstatement under Code Sec. 6662(h).

REFERENCE KEY

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

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IRS Urges Early Filing for Individual Taxpayers; Payment Plans Available

West Virginia Disaster Notice Updated

A March 14, 2025 notice granting relief to victims of West Virginia that began on February 15, 2025, in parts of West Virginia was updated by the IRS on April 2, 2025, to include Boone, Lincoln and Raleigh counties.

West Virginia Disaster Relief Notice (WV-2025-02)

IR-2025-40

The IRS has reminded individual taxpayers that they do not need to wait until April 15 to file their 2024 tax returns. Those who owe but cannot pay in full should still file by the deadline to avoid the late filing penalty, which is generally five percent per month on the unpaid balance. Interest accrues daily at a seven percent annual rate. Filing on time and paying as much as possible helps reduce additional charges. Importantly, requesting an extension provides more time to file, not more time to pay.

Payment plan options are available for most individuals. A short-term plan gives taxpayers up to 180 days to pay when the total balance owed is under $100,000. A long-term plan is available when the balance is under $50,000, allowing monthly payments over a longer period, often up to ten years. Direct debit reduces the chance of default and eliminates postage. Applications through the IRS's Online Payment Agreement are fast, with immediate confirmation.

Other options include Offers in Compromise and temporary delays in collection for those in financial hardship. The IRS cautions against scams, noting it does not call, text or use social media to demand payment. Taxpayers can check their account status and explore payment options by visiting IRS.gov.

U.S. Taxpayers Abroad Reminded of June 16 Deadline

IR-2025-39

The IRS has reminded U.S. citizens and resident aliens living and working abroad, including dual citizens, to file their 2024 federal income tax returns by June 16, 2025. This includes those stationed outside the United States and Puerto Rico for work or military duty. Taxpayers received an automatic two-month extension from the regular April 15 deadline to file and pay any taxes owed. To qualify, they must attach a statement to their return confirming their overseas residence or military status.

However, the extension to file does not extend the time to pay. Interest at 7% per year, compounded daily, began accruing after April 15. Taxpayers unable to meet the June 16 deadline may seek an additional six-month extension by filing Form 4868. Those needing more time to meet tests for foreign earned income exclusions or housing deductions must file Form 2350. Businesses must use Form 7004 to extend their deadline.

The IRS urged taxpayers to file extensions electronically using IRS Free File. Taxpayers seeking benefits like the Foreign Earned Income Exclusion or Foreign Tax Credit must file a return to claim them. All amounts must be reported in U.S. dollars, and foreign financial accounts exceeding $10,000 must be reported on FinCEN Form 114 (FBAR).

Practice Units Issued in the International Tax Area

The IRS Large Business and International (LB&I) has issued updated Practice Units in the International tax area. 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. Practice Units can be found at https://www.irs.gov/businesses/corporations/practice-units The Updated Practice Units include:

- IRC 59A Base Erosion Anti-Abuse Tax Overview;
- Hedge Fund Basics;
- Gross Effectively Connected Income (ECI) of a Foreign Corporation (Non-Treaty);
- General Deductions of a Foreign Corporation Engaged in U.S. Trade or Business (Non-Treaty);
- Branch Profits Tax Concepts;
- Reduced Foreign Taxes Under Treaty Provisions; and
- Foreign Currency Translation.

Disaster-Area Taxpayers in Nine States Receive Automatic Tax Filing and Payment Extensions

IR-2025-41

The IRS granted automatic extensions to individuals and businesses in federally declared disaster areas across nine states, allowing them until May 1, 2025, to file their federal tax returns and make payments for tax year 2024. The relief applies to taxpayers with an IRS address of record in disaster-designated localities, as announced by the Federal Emergency Management Agency (FEMA) in 2024. The extension automatically covers entire states such as Alabama, Florida, Georgia, North Carolina and South Carolina, and specific regions in Alaska, New Mexico, Tennessee and Virginia. No separate request is required for this postponement.

The IRS reminded taxpayers that this extension applies to returns and payments typically due on March 17 or April 15, including calendar year 2024 partnership, S corporation, individual income tax and corporate returns, and first-quarter estimated payments. Affected taxpayers who still require more time to file after May 1 must request an extension. However, those seeking an extension between April 15 and May 1 must file Form 4868 on paper, as electronic filing is not available during that period. Extensions grant time to file, but not additional time to pay.

Separate deadlines apply for other areas. Taxpayers in Los Angeles County, California, affected by January wildfires, have until October 15, 2025. Those in all of Kentucky and parts of West Virginia may wait until November 3, 2025. Individuals and businesses impacted by the terrorist attacks in Israel, including those in Israel, Gaza and the West Bank, have until September 30, 2025. The IRS also offers relief for those outside disaster zones but whose records are located in affected areas, and for relief workers. Taxpayers receiving erroneous penalty notices should contact the IRS for correction. Further details are available on IRS.gov.

TAX BRIEFS

Business Deductions

The Court of Federal Claims correctly granted a generic drug company's motion for summary judgment against the government and held that the patent infringement litigation defense expenses incurred by the taxpayer were tax deductible under Code Sec. 162(a). The Court applied the origin of the claim test first, ascertaining the nature and character of the expenditures, and then applied Reg. §1.263(a)-4 to assess whether the expenses fell within the category of expenses the regulation required the taxpayer to capitalize.

Actavis Laboratories FL, Inc., CA-FC, 2025-1 USTC ¶50,133

Civil Damages

A district court ruled that a university constituted an arm of the State of Alabama. This meant that no abrogation of immunity or consent to suit existed. Therefore, the Eleventh Amendment protected the university from liability on an individual's Code Sec. 7434 claim. Thus, the court lacked subject matter jurisdiction over the claim. Even if the Eleventh Amendment did not prevent the suit, the plaintiff would fail to state a claim for the court to grant relief. The defendant did not constitute a "person" under Code Sec. 7434.

Dunnigan, DC Ala., 2025-1 USTC ¶50,129

Energy Credits

A married couple was not entitled to claim energy credits under Code Sec. 48 for the tax years at issue. The credits were passive activity credits disallowed under Code Sec. 469. The couple claimed energy credits arising from their investment in a limited liability company treated as a partnership, which purported to place solar energy property in service. The taxpayers did not materially participate in the activity and lacked any passive income for the tax years at issue, rendering the credits unusable.

Strieby, TC, Dec. 62,637(M)

Excise Taxes

An appeals court ruled that a limited liability company's (LLC) (taxpayer) operations landed under Code Sec. 4052(f)(1)'s 75 percent threshold of retail value. The taxpayer met the strict burden to justify an exemption. The government had no obligation to inform the taxpayer that articles eligible for the safe harbor had to be capable of being taxed when new, excluding sales under Code Sec. 4221.

Fitzgerald Truck Parts and Sales, LLC, CA-6, 2025-1 USTC ¶50,124

Innocent Spouse Relief

An individual was not entitled to claim an ownership interest in her husband's property after previously claiming she had no assets on a sworn IRS Form 8857. The duty of consistency estopped the taxpayer from now claiming an interest in her husband's property after swearing she had no assets in support of her request for innocent spouse relief which relieved her of her tax debt.

Stacey, DC Tex., 2025-1 USTC ¶50,131

The IRS Large Business and International (LB&I) has issued an updated Practice Unit, IRC 179D En

Statute of Limitations

A district court ruled that a ten-year statute of limitations under Code Secs. 6502 and 6901was applicable for collecting tax. The government properly stated that the omission of a statutory limitations period did not apply to actions brought under the Code or incidental to the collection of taxes. Under Code Sec. 6901, the government could collect tax liabilities related to transferred assets from transferees and fiduciaries. The sole trustee of a trust was obligated to transfer sufficient assets to the estate to satisfy its tax liabilities.

Lipson, DC Nev., 2025-1 USTC ¶50,128

Trust Fund Penalties

An individual willfully failed to pay trust fund taxes of a trust where he was a board member and chairperson. The taxpayer failed to demonstrate that he did not know about the trust's unpaid payroll taxes when he paid creditors other than the government. The district court did not make a clear error in finding that the taxpayer had actual knowledge that the trust fund taxes were unpaid.

Dreyer, CA-9, 2025-1 USTC ¶50,125