



FEDERAL TAX WEEKLY

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Tennessee Victims of Severe Storms, Straight-line Winds, Tornadoes, and Flooding Granted Tax Relief

Tennessee Disaster Relief Notice (TN-2025-02)

The president has declared a federal disaster area in the entire state of Tennessee. The disaster is due to severe storms, straight-line winds, tornadoes, and flooding that began on April 2, 2025.

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

Tennessee Filing Deadlines Extended

The IRS extended certain deadlines falling on or after April 2, 2025, and before November 3, 2025, 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;
- 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.

Tennessee Payment Deadlines Extended

The relief includes extra time to make tax payments. This includes estimated tax payments due on April 15, 2025, June 16, 2025, and September 15, 2025. Taxpayers have until November 3, 2025, to perform other time-sensitive actions due on or after April 2, 2025 and before November 3, 2025.

The IRS excused late penalties for employment and excise tax deposits due on or after April 2, 2025, and before April 17, 2025. But, the taxpayer must have made the deposits by April 17, 2025.

Casualty Losses

Affected taxpayers can claim disaster-related casualty losses on their federal income tax return. Taxpayers may get 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 2024 or 2025 return should write the assigned FEMA declaration number:

"3625-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.

North Carolina Storm Victims' Tax Deadlines Further Postponed

North Carolina Disaster Relief Notice (NC-2025-01)

Due to the lingering effects of Hurricane Helene, the IRS has further postponed until September 25, 2025, a wide range of tax deadlines for taxpayers throughout North Carolina. Previously, the deadline had been May 1, 2025. Victims of storms that began on September 25, 2024 may qualify for tax relief. The president has declared the entire state of North Carolina a federal disaster area. The IRS has postponed certain deadlines for taxpayers who reside or have a business in the disaster area. For instance, certain deadlines falling on or after September 25, 2024, and on or before September 25, 2025, have been postponed

to September 25, 2025. This includes deadlines for filing most tax returns (including individual, corporate, estate and trust income tax returns; partnership and S corporation returns; estate, gift and generation-skipping transfer tax returns; and employment and certain excise tax returns) or to make tax payments, including estimated tax payments, that have either an original or extended due date occurring on or after September 25, 2024, and on or before September 25, 2025.

The IRS is waiving the failure-to-deposit penalties for employment and excise tax deposits due on or after September 25, 2024, and on or before September 25, 2025 as long as the deposits are made by September 25, 2025.

Taxpayers in the covered disaster area can claim disaster-related casualty losses on their federal income tax return for either 2023 or 2024. Individuals may deduct personal property losses that are not covered by insurance or other reimbursements. Taxpayers claiming the disaster loss on their 2023 or 2024 return should write the FEMA disaster declaration number "3617-EM" at the top of their return in order to allow the IRS to expedite processing of the refund. The IRS will waive the usual fees and expedite requests for copies of previously filed tax returns for affected taxpayers. Taxpayers should add "3617-EM" at the top of Form 4506, Request for a Copy of Tax Return, or Form 4506-T, Request for Transcript of Tax Return, as appropriate, and submit it to the IRS.

Registration Opens for 2025 IRS Nationwide Tax Forum Events

The IRS is inviting tax professionals to register for the 2025 Nationwide Tax Forum, a series of three-day events offering seminars, workshops, and networking opportunities. This year's forums will take place in five cities between July and September. Attendees can also participate in optional pre-forum programs, including a filing season refresher course and a session on practice

management designed to support continuing education and business development.

The forums will be held in Chicago (July 1–3), New Orleans (August 5–7), Orlando (August 26–28), Baltimore (September 9–11), and San Diego (September 16–18). Each location will host multiple sessions focused on federal tax updates, emerging compliance issues, and practice-related

topics relevant to tax professionals working with individual and business clients.

Tax practitioners are encouraged to register early to secure their spot and benefit from the discounted Early Bird rate, which is available through June 10. Registration details, venue information, and the complete schedule of sessions are available at the IRS Nationwide Tax Forum webpage.

REFERENCE KEY

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

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IRS Recommends Early Review of Withholding To Avoid Surprises at Filing Time

IRS Tax Tip 2025-28: Taxpayers should check their withholding now to prepare for next year

The IRS is encouraging individuals to check their federal income tax withholding early in the year to prevent unexpected balances due or large refunds when filing their 2025 returns. Using the IRS Tax Withholding Estimator can help workers, retirees and self-employed individuals determine if their current withholding matches their projected tax liability. Early adjustments can avoid year-end surprises and provide the option to increase take-home pay by reducing excess withholding.

The estimator accounts for various income sources, including wages, freelance earnings, and payments typically reported on Form 1099-K. After reviewing the results, individuals can submit a revised Form W-4 to their employer or adjust their estimated tax payments. The tool is especially useful after major life events like marriage, divorce, job changes, or the birth of a child. Taxpayers should gather their latest tax return and income statements before using the estimator. For those with more complex tax profiles, including capital gains, qualified dividends, or exposure to the alternative minimum tax, Publication 505 offers additional guidance. Taxpayers are advised to revisit their withholding annually.

Applicable Federal Rates for May 2025 Released

Rev. Rul. 2025-10

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

Applicable Federal Rates (AFR) for May 2025

Short-Term	Annual	Semiannual	Quarterly	Monthly
AFR	4.05%	4.01%	3.99%	3.98%
110% AFR	4.46%	4.41%	4.39%	4.37%
120% AFR	4.87%	4.81%	4.78%	4.76%
130% AFR	5.28%	5.21%	5.18%	5.15%
Mid-Term				
AFR	4.10%	4.06%	4.04%	4.03%
110% AFR	4.52%	4.47%	4.45%	4.43%
120% AFR	4.93%	4.87%	4.84%	4.82%
130% AFR	5.35%	5.28%	5.25%	5.22%
150% AFR	6.18%	6.09%	6.04%	6.01%
175% AFR	7.24%	7.11%	7.05%	7.01%
Long-Term				
AFR	4.62%	4.57%	4.54%	4.53%
110% AFR	5.09%	5.03%	5.00%	4.98%
120% AFR	5.56%	5.48%	5.44%	5.42%
130% AFR	6.03%	5.94%	5.90%	5.87%

Adjusted AFRs for May 2025

	Annual	Semiannual	Quarterly	Monthly
Short-term adjusted AFR	3.06%	3.04%	3.03%	3.02%
Mid-term adjusted AFR	3.10%	3.08%	3.07%	3.06%
Long-term adjusted AFR	3.50%	3.47%	3.46%	3.45%

The Code Sec. 382 adjusted federal long-term rate is 3.50%; 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 3.64%; the Code Sec. 42(b)(1) appropriate percentages for the 70% and 30% present value low-income housing credit are 8.01% and 3.43%, 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 5.00%.

Tax-Exempt Organizations Reminded of May 15 Filing Deadline

IR-2025-54

With the May 15 deadline approaching, the IRS is reminding tax-exempt organizations to submit their 2023 returns on time and in the correct format. Organizations

that operate on a calendar year basis must file their returns, including Forms 990, 990-EZ, 990-PF, 990-N (e-Postcard), 990-T, and 4720, by this date. Electronic filing is required for all of these forms, and using an IRS Authorized e-File Provider

ensures quick processing and receipt confirmation.

The IRS urges filers to review their submissions carefully, as common mistakes—such as missing schedules or using the incorrect form—can result in rejected

returns. Organizations that cannot meet the deadline may request a six-month extension by submitting Form 8868. However, the extension applies only to the filing deadline and does not postpone tax

payments, which remain due by the original due date.

To support compliance, the IRS offers online workshops for exempt organizations. These resources help boards and

staff understand filing obligations, tax-exempt limitations, and record-keeping expectations. Additional information and filing tools are available on IRS.gov.

TAX BRIEFS

Civil Penalties

The government was entitled to reduce to judgment the income tax and trust fund recovery penalty assessments against a married couple. The taxpayers did not pay their income tax liability in full as reported on their tax returns and failed to make an appearance in the case or respond to the government's complaint. Since the taxpayers failed to pay taxes as required by Code Sec. 3102, 3402, 3403 and 6303, default judgment was appropriate because the amount owed by the taxpayers was a sum certain. The government had submitted its calculation showing the taxes and interest owed by the taxpayers.

J. Loyo, DC Utah, 2025-1 ustc ¶50,151

Exempt Organizations

Four organizations were denied tax-exempt status for not operating exclusively for exempt purposes under Code Sec. 501. In the first case, the organization did not meet the operational test under Code Sec. 501(c)(3) because the activities further substantial nonexempt social and recreational purposes. In the second case, the organization received majority of income from non-member sources which is substantially more than the 35-percent which was contrary to exemption under Code Sec. 501(c)(7). In the third and fourth case, the organizations were operated to benefit private interest of members which was contrary to

exemption under Code Sec. 501(c)(3). In all the 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 202517017; IRS Letter Ruling 202517018; IRS Letter Ruling 202517019; IRS Letter Ruling 202517020

Expatriates

The IRS has released the list of individuals who lost their U.S. citizenship within the meaning of Code Sec. 6039G during the quarter than ended on March 31, 2025. Under the Health Insurance Portability and Accountability Act of 1996 (P.L. 104-191), the State Department is required to provide the Treasury Secretary with information regarding the individuals' loss of nationality.

Quarterly Publication of Individuals Who Have Chosen to Expatriate

Innocent Spouse Relief

An individual was partially entitled to innocent spouse relief for one of the tax years at issue, but was not entitled to equitable relief for either year. The taxpayer was not entitled to relief under Code Sec. 6015(b) because there was reason to know of the erroneous items giving rise to the understatements. The individual was partially entitled to relief under Code Sec. 6015(c). The record supported a finding

that the taxpayer lacked actual knowledge of those items. The individual was not entitled to equitable relief under Code Sec. 6015(f). The requirements outlined in Rev. Proc. 2013-34 were not met, as the taxpayer failed to demonstrate that the underpayments were solely attributable to the husband, and the equitable factors did not support relief.

J.S. Vanover, TC Memo. 2025-37, Dec. 62,648(M)

Liens and Levies

The government was entitled to reduce restitution-based tax assessments to judgment and foreclose liens on an individual's property. The taxpayer's interpretation of Code Sec. 6201(a)(4)(A) was grammatically wrong and contrary to its plain meaning, stating that criminal and civil assessments are legally separate.

Brown, DC Wash., 2025-1 ustc ¶50,152

Private Foundations

A private foundation had its request for a set-aside under Code Sec. 4942(g)(2) approved by the IRS. The set-aside funded the planned construction of two buildings at an archaeological site—a scientific laboratory for artifact conservation and an office for site management. The project was to be carried out over 4–5 years through an affiliated cultural heritage foundation.

IRS Letter Ruling 202517024