



FEDERAL TAX WEEKLY

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2026 Inflation Adjustments for Health Savings Accounts Released

Rev. Proc. 2025-19

The IRS has released the 2026 inflation-adjusted amounts for health savings accounts under Code Sec. 223. For calendar year 2026, the annual limitation on deductions under Code Sec. 223(b)(2) for an individual with self-only coverage under a high-deductible plan is \$4,400 (\$8,750 for an individual with family coverage). For 2026, a “high-deductible health plan” is defined in Code Sec. 223(c)(2)(A) as a health plan with an annual deductible that is not less than \$1,700 for self-only coverage or \$3,400 for family coverage and annual out-of-pocket expense limits (deductibles, copayments and other amounts, but not premiums) that do not exceed \$8,500 for self-only coverage or \$17,000 for family coverage. Additionally, for plan years beginning in 2026, the maximum amount that may be made newly available for an excepted benefit HRA is \$2,200.

2025 Marginal Production Percentage Depletion Rates Announced

Notice 2025-20

The IRS has announced the applicable percentage under Code Sec. 613A to be used in determining percentage depletion for marginal properties for the 2025 calendar year. Code Sec. 613A(c)(6)(C) defines the term “applicable percentage” for purposes of determining percentage depletion for oil and gas produced from marginal properties. The applicable percentage is the percentage (not greater than 25 percent) equal to the sum of 15 percent, plus one percentage point for each whole dollar by which \$20 exceeds the reference price (determined under Code Sec. 45K(d)(2)(C)) for crude oil for the calendar year preceding the calendar year in which the tax year begins. The applicable percentage is 15 percent and the reference price determined under Code Sec. 45K(d)(2)(C) for the 2024 calendar year is \$74.48. The table contains the applicable percentages for marginal production for tax years beginning in calendar years 1991 through 2025.

Asset/Liability Percentages and Investment Yields for Foreign Insurance Companies Provided

Rev. Proc. 2025-20

The IRS has provided the domestic asset/liability percentages and domestic investment yields needed by foreign life insurance companies and foreign property and liability insurance companies to compute their minimum effectively connected net investment income under Code

Sec. 842(b) for tax years beginning after December 31, 2023.

For the first tax year beginning after December 31, 2023, the relevant domestic asset/liability percentages are 121.2 percent for foreign life insurance companies and 203.1 percent for foreign property and liability insurance companies.

The relevant domestic investment yields are 1.0 percent for foreign life insurance companies and 1.7 percent for foreign property and liability insurance companies.

In addition, instructions are set forth for computing foreign insurance companies' estimated tax liabilities for tax years beginning after December 31, 2023.

IRS Urges Taxpayers To Safeguard Financial Records Ahead of Disaster Season

IR-2025-55

The IRS has reminded taxpayers that disaster preparation season is kicking off soon with National Wildfire Awareness Month in May and National Hurricane Preparedness Week between May 4 and 10. Disasters impact individuals and businesses, making year-round preparation crucial. In 2025, FEMA declared 12 major disasters across

nine states due to storms, floods, and wildfires. Following are tips from the IRS to taxpayers to help ensure record protection:

- store original documents like tax returns and birth certificates in a waterproof container;
- keep copies in a separate location or with someone trustworthy. Use flash drives for portable digital backups; and
- use a phone or other devices to record valuable items through photos or videos.

This aids insurance or tax claims. IRS Publications 584 and 584-B help list personal or business property.

Further, reconstructing records after a disaster may be necessary for tax purposes, insurance or federal aid. Employers should ensure payroll providers have fiduciary bonds to protect against defaults, as disasters can affect timely federal tax deposits.

Virginia Victims of Severe Winter Storms and Flooding Granted Tax Relief

Virginia Disaster Relief Notice (VA-2025-03)

Victims of severe winter storms and flooding that began on February 10, 2025, in parts of Virginia may qualify for tax relief from the IRS. The president has declared the counties of Amelia, Appomattox, Bedford, Bland, Botetourt, the City of Bristol, Buchanan, Buckingham,

Campbell, Carroll, Charlotte, Craig, Cumberland, Dickenson, Floyd, Franklin, Giles, Grayson, Halifax, Lee, Lunenburg, Montgomery, Nottoway, Page, Pittsylvania, Powhatan, Prince Edward, Pulaski, Rockingham, Russell, Scott, Smyth, Tazewell, Washington, Wise, and Wythe 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 February 10, 2025, and on or before November 3, 2025, have been postponed to November 3, 2025. This includes deadlines for filing most tax returns (including individual, corporate, estate and trust income tax returns; partnership and S corporation

REFERENCE KEY

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

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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 February 10, 2025 and on or before November 3, 2025.

The IRS is waiving the failure-to-deposit penalties for employment and excise tax deposits due on or after February 10, 2025, and on or before February 25, 2025, as long as the deposits are made by February 25, 2025. Filing relief includes the Form 5500 series returns, but not information returns in the Form W-2, 1098, or 1099 series or Forms 1042-S or 8027.

Taxpayers in the covered disaster area can claim disaster-related casualty losses

North Carolina Disaster Notice Updated

An April 17, 2025 notice (TAXDAY, 2025/04/23, I.2) granting relief to victims of North Carolina storm that began on September 25, 2024, in the entire state of North Carolina was updated by the IRS on April 24, 2025, to add that the September 25, 2025 deadline would now apply to other time sensitive actions as described by the guidance.

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

on their federal income tax return for either 2024 or 2025. Individuals may deduct personal property losses that are not covered by insurance or other reimbursements. Taxpayers claiming the disaster loss on their 2024 return should write the disaster designation FEMA Disaster Number 4863-DR 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 the assigned 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, as appropriate, and submit it to the IRS.

TAX BRIEFS

Conservation Easements

Indirect partners of a limited liability company, were not allowed to participate in a case involving a deduction related to the donation of a conservation easement. The putative participants had 90 days from the date of service of the petition by the IRS to file a notice of election to participate in the case. Even after that 90-day period, the partners failed to file a motion for leave to file a notice of election to participate out of time upon a showing of sufficient cause. Further, the putative participants had about two years to file such a motion but did not seek to participate until a settlement was proposed. Further, the partners wrongly claimed that they wanted their interests adequately represented because they gave no explanation for their failure to participate (or seek to participate) in the case at an earlier date. Instead, the partners waited until the last minute before a decision was

entered, then sought to participate in the case, claiming an absolute right to do so pursuant to Code Sec. 6226(c)(2).

Chimney Rock Holdings, LLC, TC Memo. 2025-39, Dec. 62,650(M)

Delinquent Tax Debt Certification

The Tax Court appropriately dismissed an individual's challenge to his seriously delinquent tax debt certification. The taxpayer argued that his passport was restricted because of that certification. However, the certification had been reversed months before the taxpayer filed this petition. Further, the State Department had not taken any action on the basis of the certification before the taxpayer filed his petition.

Z.H. Shaikh, CA-3

Information Returns

A limited liability company was liable for penalties under Code Sec. 6721 and 6722

for failure to file information returns in accordance with the requirements of Code Sec. 6050I. The taxpayer failed to establish reasonable cause for the failure to file.

Dealers Auto Auction of Southwest LLC, TC, Dec. 62,649(M)

Medical Expense Deduction

The IRS ruled that medical expenses related to in vitro fertilization (IVF) including (1) screenings, (2) fertility medication and treatment, and (3) egg and sperm retrieval, were deductible as medical care under Code Secs. 213(a) and 213(d)(1)(A). However, deductions were denied for payments related to gestational surrogacy, including (1) pre-transfer testing costs, (2) certain embryo transfer and storage fees, and (3) legal fees to establish parentage.

IRS Letter Ruling 202518023