



# FEDERAL TAX WEEKLY

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## Budget Reconciliation Clears House, Signed by President

After the last few Republican holdouts were convinced to flip their votes, the House of Representatives passed the budget reconciliation bill and President Trump signed it into law.

With only a slim margin for error, the House on July 3, 2025, passed the budget reconciliation bill by a 218-214 margin with two GOP members crossing the aisle to join all lower chamber Democrats in opposition of the so-called “One Big, Beautiful Bill.” President Trump signed the bill into law on July 4, 2025.

The One Big, Beautiful Bill Act, which makes permanent the expiring provisions of the Tax Cuts And Jobs Act, adds provisions to remove tax on tips, remove tax on overtime, a deduction for automobile loan interest, and the creation of “Trump Accounts,” tax favored accounts for newborns.

On the business side, the Act makes permanent the bonus depreciation provisions for businesses, as well as the deduction for research and development expenses. It also terminates a number of previously passed green energy terminations.

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## IRS Obsoletes 83 Guidance Documents

### *Notice 2025-36*

The IRS has obsoleted 83 I.R.B. guidance documents. The action is consistent with Executive Order 14192, the purpose of which is to reduce the economic burden caused by regulation, and Executive Order 14219, which directs agencies to eliminate overbearing and burdensome regulations and other guidance. In April, the IRS started the process of eliminating extraneous and unnecessary guidance by obsoleting nine guidance documents in Notice 2025-22, 1427, I.R.B. 2025-19. The IRS continues the review of regulations and other guidance and anticipates revoking or obsoleting additional guidance in the near future.

The 83 I.R.B guidance documents obsoleted in Notice 2025-36 are:

- Notice 2025-3
- Notice 2016-75
- Notice 2016-20
- Notice 2015-11
- Notice 2015-8
- Notice 2014-6
- Notice 2013-48
- Notice 2013-3
- Notice 2012-21
- Notice 2011-88

- Notice 2011-82
- Notice 2011-76
- Notice 2011-73
- Notice 2010-11
- Notice 2008-94
- Notice 2008-83
- Notice 2005-89
- Notice 2005-38
- Notice 2005-10
- Notice 2003-8
- Notice 2000-62
- Notice 96-12
- Notice 88-7
- Rev. Proc. 2019-34
- Rev. Proc. 2011-19
- Rev. Proc. 2004-27
- Rev. Proc. 2001-34
- Rev. Proc. 83-79
- Rev. Proc. 80-49
- Rev. Proc. 77-27
- Rev. Rul. 2003-34
- Rev. Rul. 94-48
- Rev. Rul. 93-54
- Rev. Rul. 93-46
- Rev. Rul. 90-70
- Rev. Rul. 86-127
- Rev. Rul. 86-100
- Rev. Rul. 86-2
- Rev. Rul. 85-77
- Rev. Rul. 82-62
- Rev. Rul. 82-35
- Rev. Rul. 82-10
- Rev. Rul. 81-146
- Rev. Rul. 79-235
- Rev. Rul. 79-226
- Rev. Rul. 78-136
- Rev. Rul. 77-306
- Rev. Rul. 76-414
- Rev. Rul. 76-243
- Rev. Rul. 75-424
- Rev. Rul. 75-238
- Rev. Rul. 74-250
- Rev. Rul. 74-231
- Rev. Rul. 73-500
- Rev. Rul. 73-378
- Rev. Rul. 72-422
- Rev. Rul. 72-48
- Rev. Rul. 72-24
- Rev. Rul. 71-353
- Rev. Rul. 71-286
- Rev. Rul. 70-397
- Rev. Rul. 70-93
- Rev. Rul. 69-378
- Rev. Rul. 69-94
- Rev. Rul. 69-33
- Rev. Rul. 69-32
- Rev. Rul. 68-476
- Rev. Rul. 68-472
- Rev. Rul. 64-125
- Rev. Rul. 63-30
- Rev. Rul. 62-3
- Rev. Rul. 59-109
- Rev. Rul. 56-396
- Rev. Rul. 56-247
- Rev. Rul. 56-6
- Rev. Rul. 55-71
- Rev. Rul. 54-444
- Announcement 2004-42
- Announcement 2003-70
- Announcement 2003-46
- Announcement 91-58
- Announcement 90-31
- Announcement 78-170

## Taxpayer Did Not Have Authority to Pay Taxes Owed

*J.L. Warnement, CA-FC, 2025-1 ustc ¶150,187*

The U.S. Court of Federal Claims denied in part and granted in part the government's motion for summary judgment in the plaintiff taxpayer's claim for a refund of federal taxes and associated interest from the IRS.

The IRS assessed penalties under Code Sec. 6672 based on the taxpayer's association with a now-defunct software and consulting company (C1) based in Naples, Florida. For the tax years at issue, C1 failed to remit trust fund taxes that it was responsible for withholding from employees' paychecks. The IRS assessed

penalties against the taxpayer based on his (1) role at C1, (2) duty to remit the taxes on behalf of C1, and (3) willful failure to remit the taxes owed, as he was aware of the delinquency and paid other creditors before the IRS.

Although the plaintiff taxpayer had been the CEO of the now-defunct software company, whether he had check-signing authority during the period in question was not clear. There was a genuine question regarding the extent of the taxpayer's authority and, thus, whether the taxpayer was a "responsible person" under Code Sec. 6672. The Court concluded that these questions were issues for trial and denied

the government's motion for summary judgment as to whether the plaintiff was a "responsible person."

However, the Court granted summary judgment for the government on the question of whether the taxpayer willfully failed to collect and remit the taxes for certain tax quarters. The Court found that he was aware of both the duty to pay the taxes and C1's failure to remit them. Although the taxpayer only later became aware of the tax liability, his nonpayment was willful once he was informed, according to the Court. There was no genuine dispute regarding the taxpayer's awareness of the unpaid taxes.

### REFERENCE KEY

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

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# Final Partnership Adjustment Barred; Regulation Contrary to Statute

*JM Assets, LP, 165 TC No. 1, Dec. 62, 687*

The Tax Court held that a final partnership adjustment (FPA) issued to a partnership governed by the Bipartisan Budget Act (BBA) audit regime was untimely under Code Sec. 6235(a)(2). The holding invalidated Reg. §301.6235-1(b)(2)(i)(A), which purported to extend the adjustment period beyond the statutory limit.

After being notified of a proposed imputed underpayment, the partnership submitted its modification request on day 250 of the 270-day statutory window. The IRS issued the FPA 290 days later, relying on a reading of Reg. §301.6235-1(b)(2)(i)(A)

that treated the due date by which the IRS must make a partnership adjustment as 270 days after the statutory deadline for the taxpayer to request a modification rather than 270 days after the actual submission date.

The Court was not persuaded by this interpretation. It found the regulation as applied to the facts of the case in conflict with the plain language of Code Sec. 6235(a)(2). The Court emphasized that statutory clarity limits agency discretion, and that no regulation can override unambiguous statutory text.

The IRS alternatively claimed the FPA was timely under the six-year period

provided by Code Sec. 6235(c)(2) for substantial omissions. The Court rejected this argument as well, finding that no substantial omission of income had occurred since the partnership had adequately disclosed the transactions and amounts on attached forms. The Court concluded the IRS was not disadvantaged in identifying the income.

Accordingly, the FPA was untimely, the regulation was invalid as applied, and the IRS's motions to amend its pleadings were denied as futile. The IRS's motion for partial summary was denied, and the taxpayer's motion for summary judgment was granted.

## Accuracy-Related Penalties Not Subject to Deficiency Procedures

*Moxon Corporation, 165 TC No. 2, Dec. 62, 685*

An IRS Appeals Officer (AO) correctly determined that the accuracy-related penalties imposed on a corporation were not subject to deficiency procedures pursuant to Code Sec. 6230(a)(2)(A)(i). The taxpayer was a partner in an entity against which the IRS had issued a Notice of Final Partnership Administrative Adjustment (FPAA) regarding the entity, setting forth its disallowance of purported losses and assertion of a Code Sec. 6662(h) penalty. However, the IRS had mailed the notices to an incorrect address owing to which the taxpayer did not file a Tax Court petition and the IRS assessed the deficiencies and penalties. The IRS later realized the error and requested to remand the case for a supplemental collection due process hearing. Further, the IRS issued a Supplemental Notice of Determination to the taxpayer reflecting the AO's determination that the deficiencies were subject to deficiency procedures and would be abated. However,

the AO determined that the penalties were not subject to deficiency procedures and would not be abated.

### Accuracy-Related Penalties Not Subject to Deficiency Procedures

The taxpayer argued that the AO erred in determining that the penalties should not be abated because deficiency procedures apply to the penalties. Moreover, the Notices of Deficiency (SNODs) were not sent to the taxpayer's last known address. However, the deficiencies set forth in the SNODs were based on adjustments to partnership items determined in a partnership-level proceeding. Likewise, the applicability of the Code Sec. 6662(h) penalties set forth in the SNODs was also determined in the partnership level-proceeding. Code Sec. 6230(a)(2)(A)(i) exempts penalties, additions to tax, and additional amounts that relate to adjustments to partnership items from deficiency proceedings.

### Effect of Deficiency Abatements on Penalties

The taxpayer further argued that a tax cannot be deemed "imposed" where the taxing authority has decreed that the tax need not be paid and that for a tax to be deemed "imposed," at a minimum it must be required to be paid. However, the Tax Court interpreted the term "tax" imposed in Code Sec. 6664(a) as the amount of tax imposed by Congress that is required to be shown on a taxpayer's return, not an amount based on the IRS's ability to assess and collect. Although the IRS improperly assessed the associated underpayments, the relevant statutory scheme devised by Congress clearly allowed for Code Sec. 6662 penalties based on those underpayments to be assessed and collected. Lastly, the IRS's motion for partial summary judgment was granted and the taxpayer's motion for partial summary judgment was denied.

# IRS, Security Summit Fight Tax-Related Identity-Theft Threats

IR-2025-73

The IRS and Security Summit partners launched the summer Protect Your Clients; Protect Yourself campaign on July 1, alongside the Nationwide Tax Forum. The five-week campaign provides biweekly tips to help tax professionals prevent data theft amid rising identity-theft threats and evolving scams targeting sensitive business and taxpayer information. Key scams include:

- fraudsters posing as new clients to execute spear phishing attacks;
- scammers attempting to steal EFINs, PTINs, CAF numbers and related documents;
- callers promoting the fake "Zero Tax" program to collect Social Security numbers;
- social media posts spreading false tax information and fraudulent credits;
- scammers sending fake texts or calls offering bogus IRS refunds for personal data; and
- fraudsters using AI to generate fake IRS letters to extract information.

Further, tax professionals should report any data breach to their local IRS Stakeholder Liaison to help prevent fraudulent returns. They should also notify their state tax agency through the Federation of Tax Administrators and follow the Federal Trade Commission's Data Breach Response guidelines to strengthen data security practices.

## TAX BRIEFS

### *Civil Fraud Penalties*

The taxpayer, an individual who filed returns jointly with husband, was liable for civil fraud penalties under Code Sec. 6663 for the tax years at issue. The Tax Court found that the taxpayer, despite holding accounting degrees and working as a financial analyst, concealed business activity, failed to maintain records, and misled both the IRS and representatives during an examination.

*Beleiu, TC, Dec. 62,686(M)*

### *Collections*

An individual was not entitled to injunctive or damages relief arising

from IRS collection actions. The Court found that Code Sec. 7421(a) barred all preemptive challenges to assessment and collection activity. Relief under Code Sec. 6330(e)(1) was also unavailable, as the Collection Due Process hearing had concluded and no appeal was taken.

*S. Coleman, DC Md., 2025-1 USTC ¶150,186*

### *Deductions*

A limited liability company treated as a TEFRA partnership was not entitled to a bad-debt deduction under Code Sec. 166 for advances made to operate a city-owned arena. The Tax Court held that the

advances did not constitute bona fide debt for federal tax purposes.

*Anaheim Arena Management, LLC, TC, Dec. 62,682(M)*

### *Notice of Deficiency*

A married couple failed to timely dispute a notice of deficiency. The taxpayers did not timely dispute the underlying liability in their Form 12153, Request for a Collection Due Process or Equivalent Hearing, or in their petition. The IRS did not abuse its discretion in declining to allow the taxpayers to enter into an installment agreement based on the information available.

*Mackland, TC, Dec. 62,683(M)*