



FEDERAL TAX WEEKLY

INSIDE THIS ISSUE

Senate Passes Filing Relief for
Natural Disasters Act 1

Rule on Gross Proceeds Reporting
by Brokers Removed from CFR 1

Texas Victims of Severe Storms and
Flooding Granted Tax Relief 2

IRS Issues Tips to Help Individuals
Identify Scams 2

Tax Briefs 3

IRS Encourages Extension Filers To
Use Free File Services 3

Senate Passes Filing Relief for Natural Disasters Act

The Senate passed by unanimous consent the Filing Relief for Natural Disasters Act, which extends the mandatory period for suspending the filing requirements around a disaster declaration from 60 days to 120 days.

The bill, H.R. 517, now has received the full support of Congress after receiving no dissenting votes in both the House Ways and Means Committee and on the House floor earlier in the year before passing the Senate on July 10, 2025, by unanimous consent. It would go into effect upon being signed into law.

H.R. 517, according to a report prepared by the Joint Committee on Taxation prior to its February vote in the House Ways and Means Committee, allows the Department of the Treasury Secretary to suspend time periods when actions by taxpayers such as filing tax returns, paying taxes, or filing a claim for refunds when a state makes a qualified disaster declaration, must happen.

Under the bill, according to the report, a “qualified State declared disaster” is defined to include “any natural catastrophe (including any hurricane, tornado, storm, high water, winddriven water, tidal wave, tsunami, earthquake, volcanic eruption, landslide, mudslide, snowstorm, or drought), or, regardless of cause, any fire, flood, or explosion, in any part of the State, which in the determination of the Governor of such State (or the Mayor, in the case of the District of Columbia) causes damage of sufficient severity and magnitude to warrant the application of the rules of this section.”

The bill now advances to the White House for final signature by President Trump.

Rule on Gross Proceeds Reporting by Brokers Removed from CFR

T.D. 10021

The Treasury and IRS removed the final rules from the Code of Federal Regulations (CFR) that involved gross-proceeds reporting by brokers for effectuating digital asset sales. The regulations had been issued in December 2024, as amendments to Reg. §1.6045-1. The Treasury and IRS reverted the relevant text of the CFR back to the text that was in effect immediately prior to the effective date of the final rules.

Congress passed a joint resolution disapproving the final rule titled “Gross Proceeds Reporting by Brokers that Regularly Provide Services Effectuating Digital Asset Sales.” The Treasury Department and the IRS neither solicited comments on this action nor delayed the effective date.

This final rule is effective on July 11, 2025.

Texas Victims of Severe Storms and Flooding Granted Tax Relief

Texas Disaster Relief Notice (TX-2025-04)

The president has declared a federal disaster area in the state of Texas. The disaster is due to severe storms, straight-line winds, and flooding that began on July 2, 2025. The disaster area includes the following county:

- Kerr County.

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

Texas Filing Deadlines Extended

The IRS extended certain deadlines falling on or after July 2, 2025, and on or before February 2, 2026, to February 2, 2026. 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

IRS Issues Tips to Help Individuals Identify Scams

The IRS has issued updated guidance to help individuals recognize legitimate communication from the agency and avoid falling victim to scams. As reports of fraud through emails, texts, social media and fake letters have increased, the IRS has clarified that it has not initiated communication through digital channels without prior consent. Scammers have posed as IRS representatives, claiming refunds or credits and including fraudulent links. Official contact has typically begun with a mailed letter or notice. Taxpayers have been advised to verify communications through their IRS Online Account or by reviewing official notice samples. In cases involving private debt collection, valid letters have included matching authentication numbers from earlier IRS correspondence.

Further, the IRS has ended most unannounced in-person visits by revenue officers to enhance safety. While agents have continued to call to confirm appointments after written notices have been sent, they have not left threatening messages or requested payment through prepaid or gift cards. The agency has urged individuals to report suspicious contact and consult the IRS website for secure payment options and scam alerts. By staying informed, taxpayers can protect their personal and financial information from fraudulent schemes.

IRS Tax Tip 2025-46

W-2, 1094, 1095, 1097, 1098, or 1099 series or Forms 1042-S, 3921, 3922 or 8027.

Texas Payment Deadlines Extended

Also, the relief includes extra time to make tax payments, including estimated tax payments due on September 15, 2025, and January 15, 2026. Further, taxpayers have until February 2, 2026, to perform other time-sensitive actions due on or after July 2, 2025, and on or before February 2, 2026.

The IRS excused late penalties for employment and excise tax deposits due on or after July 2, 2025, and before July 17, 2025, but taxpayers must make the deposits by July 17, 2025.

Casualty Losses

Affected taxpayers can claim disaster-related casualty losses on their federal income tax returns. A taxpayer may get relief by claiming the losses on the taxpayer's 2024 or 2025 return. Individuals may deduct personal property losses not covered by insurance or other reimbursements.

A taxpayer claiming a disaster loss on the taxpayer's 2024 or 2025 return should write the assigned FEMA declaration number: " **FEMA- 4879-DR**" at the top of the return. This will allow the IRS to speed refund processing.

Also, the IRS will provide affected taxpayers with copies of prior year returns without charge. To get this expedited service, a taxpayer should:

REFERENCE KEY

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

FEDERAL TAX WEEKLY, 2025 No. 29. Published by Wolters Kluwer, 2700 Lake Cook Road, Riverwoods, IL 60015.
© 2025 CCH Incorporated and its affiliates. All rights reserved.

- 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.

TAX BRIEFS

Deficiency petition

The Tax Court did not have jurisdiction to hear an individual's deficiency petition because it was filed beyond the 90-day deadline under Code Sec. 6213(a). The IRS mailed the notice of deficiency to the taxpayer's address listed on the most recently filed and processed return. A certified mailing list stamped by postal authorities confirmed timely mailing to that address. IRS transcripts also reflected no updated address on record at the time of mailing.

The individual alleged that a change-of-address notice had been submitted by mail and through the U.S. Postal Service. However, no credible evidence established that the IRS received any such notification before issuing the notice. An undated letter and a computer screenshot were submitted, but the Court found these insufficient. No proof of mailing or third-party confirmation was provided. Because the notice was sent to the last known address and the petition was filed 872 days after the statutory deadline, the Court held that it lacked jurisdiction.

D. Davis, TC Memo. 2025-72, Dec. 62,689(M)

Exempt Organizations

Four organizations were either denied or revoked tax-exempt status for not operating exclusively for exempt purposes under Code Sec. 501. In each of the first and second cases, the organization failed the operational test as it was found to serve private interests rather than the public interest by operating for the benefit of a specific individual. Thus, it did not qualify for exemption under Code Sec. 501(c)(3). In the third case, the organization had its

IRS Encourages Extension Filers To Use Free File Services

The IRS has reminded individuals who requested a filing extension to submit their federal tax returns as early as possible, rather than waiting for the final deadline. IRS Free File provides free, guided tax preparation software for individuals with adjusted gross incomes of \$84,000 or less, and Free File Fillable Forms are available to all filers who prefer to prepare their own returns. The service is accessible online 24/7 and allows for secure electronic filing through trusted IRS partners.

Filing during the summer offers several benefits, including avoiding the high volume of returns closer to the October deadline. It also gives taxpayers more time to resolve any return-related issues or make payment arrangements if necessary. The IRS highlighted that early filing promotes smoother processing and helps prevent last-minute complications. Taxpayers can begin filing immediately by visiting the IRS Free File portal on the agency's website.

IR-2025-74

tax-exempt status revoked under Code Sec. 501. The organization failed the operational test as it was found to operate for private interests rather than public purposes. In the fourth case, the organization had its tax-exempt status revoked under Code Sec. 501. It failed both the organizational and operational tests under Reg. § 1.501(c)(3)-1. The organization benefited private interests rather than the public interest. However, in all the cases, the organizations were either denied or revoked 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 202527013; IRS Letter Ruling 202527014; IRS Letter Ruling 202527015; IRS Letter Ruling 202527016

An organization had its tax-exempt status revoked under Code Sec. 501. The organization failed the operational test as it operated a commercial business as its primary activity. It did not operate exclusively for exempt purposes and failed to provide sufficient records, violating Reg. § 1.501(c)(3)-1. Thus, the organization no longer qualified for exemption.

IRS Letter Ruling 202528013

IRS Settlement

A limited liability company classified as a partnership for federal tax purposes was not entitled to enforce a settlement with

the IRS. The parties never reached mutual assent, no authorized representative accepted the offer, and the required decision document was not filed.

The IRS proposed allowing a deduction approximating investor out-of-pocket costs under Code Sec. 170, relying on the investment-tier partnership's Schedule M-2. However, the transaction lacked outside investors, and petitioner's counsel knew the IRS had mistakenly attributed unrelated contributions to the transaction at issue. The Tax Court held that the parties attached materially different meanings to the proposed deduction and that the IRS did not intend to offer a fixed amount but rather an amount reflecting investor costs.

Further, the Court found that the person who accepted the offer lacked authority under Code Sec. 6223. Because the offer expressly required a decision document and petitioner failed to correct the known error in valuation, the Court concluded that no enforceable contract had been formed and denied the motion to enforce the settlement.

Arden Row Assets, LLC, TC Memo. 2025-71, Dec. 62,688(M)

Private Foundations

In each of two cases, a private foundation had its request for a set-aside under Code Sec. 4942(g)(2) approved by the IRS. The

set-aside in both the cases was for the purpose of a preservation and the development of historic sites.

[IRS Letter Ruling 202527018](#); [IRS Letter Ruling 202527019](#)

Sovereign Immunity

An individual taxpayer was not liable for compensatory damages or any tax refund. He failed to seek administrative relief required to waive sovereign immunity. The taxpayer filed this suit before the expiration of the six-month waiting period required by Code Sec. 6532(a)(1).

The taxpayer alleged a violation of Code Sec. 6428B and the American Rescue Plan Act of 2021 (ARPA), (P.L. No. 117-2), based on his tax return. The taxpayer

claimed a tax refund, alleging that the IRS unlawfully withheld his benefits under Code Sec. 6428B.

The court noted that the taxpayer's case was filed almost two years after the deadline for issuance of economic impact payment (EIP) funds had passed. His request for relief was moot. The taxpayer failed to state any claim.

[Thompson, DC Tenn, 2025-2 USTC ¶150,190](#)

Withholding

The IRS ruled that a qualified settlement fund (QSF) was not required to withhold tax under Code Sec. 1441, or report under Code Sec. 1461, on distributions to foreign claimants that returned only unrecovered capital. The QSF had been established following

court proceedings involving a fraudulent investment scheme, and distributions were limited to principal recovery, excluding earnings. The IRS determined that such payments did not constitute gross income under Code Sec. 61 or fixed or determinable annual or periodical (FDAP) income under Code Sec. 1441. Because the payments did not result in accessions to wealth, and the QSF did not know or have reason to know of any prior tax benefit claimed by recipients, withholding and reporting obligations did not apply. The QSF collected Forms W-8BEN or W-8BEN-E to confirm foreign status. The ruling applied only to distributions made under a court-approved plan that excluded income and required proper documentation.

[IRS Letter Ruling 202527006](#)