



FEDERAL TAX WEEKLY

INSIDE THIS ISSUE

Long Out As IRS Commissioner	1
IRS Proposes Use of NAICS To Define Line of Business for Fringe Benefit Exclusions	1
IRS Urges Early Registration for Remaining 2025 Nationwide Tax Forums	2
FinCEN Delays Investment Adviser Rules Until 2028.....	2
No Changes to Certain 2025 Information Returns or Withholding Under OBBBA	3
Employers Reminded That Student Loan Repayments Are Excludable Through 2025	3
Individual Not Entitled to Innocent Spouse Relief	3
Tax Briefs	3

Long Out As IRS Commissioner

The Internal Revenue Service is once again seeing change in the commissioner's office as Billy Long, confirmed by the Senate less than two months ago, is being removed from his post by the White House.

While no official word has been given at press time as to why Long will no longer serve as the agency's highest official, reports are there have been clashes between him and Department of the Treasury Secretary Scott Bessent.

"We don't even need more details on Trump's latest scuttle to know how damaging his presidency has been for the IRS," House Ways and Means Committee Ranking Member Richard Neal (D-Mass.) said in a statement. "With nearly a new commissioner each month and weakened customer service from his mass firings, the rampant instability comes as the expense of all who rely on it."

Long had recently spoke a National Association of Enrolled Agents conference, announcing that the agency's Direct File program, an option that allows certain taxpayers with simple tax returns to use the IRS website to prepare and file their taxes, would be discontinued after being active for the past two filing season, one of which was a pilot to test the program. He also suggested at the meeting the tax filing season would get a late start in 2026, something that has not formally announced by the agency.

Reports are that Bessent will take over the as commissioner in the interim as the search for a permanent commissioner begins. Bessent would be the seventh person in 2025 to fill the commissioner role at the IRS.

IRS Proposes Use of NAICS To Define Line of Business for Fringe Benefit Exclusions

Proposed Regulations, NPRM REG-132805-17

The IRS has issued proposed regulations that would replace the outdated Enterprise Standard Industrial Classification (ESIC) Manual with the more current North American Industry Classification System (NAICS) to determine an employer's "line of business" for purposes of Code Sec. 132(a)(1) and (2). The change affects the application of the exclusions from gross income for no-additional-cost services and qualified employee discounts.

The current regulations rely on the ESIC Manual, which has not been updated since 1974. In contrast, the NAICS is revised every five years to reflect changes in economic activity and more accurately classify modern industries. The Treasury Department and the IRS stated that adopting the NAICS would provide "a more accurate and detailed reflection of present economic realities."

Under the proposed rules, an employer will be treated as having more than one line of business if it offers goods or services in more than one four-digit NAICS "industry

group” classification as of the first day of the tax year at issue. For example, “General Merchandise Stores, including Warehouse Clubs and Supercenters” and “Automotive Repair and Maintenance” are considered distinct industry groups.

The proposed regulations also revise existing aggregation rules to accommodate the new classification system. These rules allow certain separate lines of business to be treated as a single line of business when industry practice, employee duties, or co-location of operations justify aggregation. The regulations update the retail aggregation example to substitute “department store” with “general merchandise store, including warehouse clubs and super centers,” reflecting modern retail formats.

The proposed rules would apply to tax years beginning on or after the date final

IRS Urges Early Registration for Remaining 2025 Nationwide Tax Forums

The IRS has reminded tax professionals that space is filling quickly for the remaining 2025 IRS Nationwide Tax Forum events. Forums in Chicago, New Orleans, and San Diego are sold out. Those planning to attend in Orlando (August 26–28) or Baltimore (September 9–11) are encouraged to register before the standard deadlines of August 12 and August 26, respectively. Standard registration is \$319 per person; on-site registration, if available, is \$399.

The IRS Nationwide Tax Forum is its largest annual outreach event for tax professionals. The three-day program offers up to 18 continuing education credits and features sessions on ethics, tax law updates, digital assets, disaster-related filing, and IRS tools. Pre-forum Monday events include a Federal Tax Refresher study session and practice management seminar. Attendees can also access a scams and schemes panel, an Expo Hall with tech demos and IRS support, and a Digital Account Services Room.

IR-2025-80

regulations are published in the Federal Register. Comments must be submitted

within 90 days of publication. A public hearing will be scheduled if requested.

FinCEN Delays Investment Adviser Rules Until 2028

FinCEN Exemptive Relief Order

The Financial Crimes Enforcement Network (FinCEN) has granted exemptive relief to covered investment advisers from the requirements the final regulations in FinCEN Final Rule RIN 1506-AB58 (also called the “IA AML Rule”), which were set to become effective January 1, 2026. This order exempts covered investment advisers from all requirements of these regulations until January 1, 2028.

The regulations require investment advisers (defined in 31 CFR

§1010.100(nnn)) to establish minimum standards for anti-money laundering/countering the financing of terrorism (AML/CFT) programs, report suspicious activity to FinCEN, and keep relevant records, among other requirements.

FinCEN has determined that the regulations should be reviewed to ensure that they strike an appropriate balance between cost and benefit. The review will allow FinCEN to ensure the regulations are consistent with the Trump administration's deregulatory agenda and are effectively tailored to the investment adviser sector's

diverse business models and risk profiles, while still adequately protecting the U.S. financial system and guarding against money laundering, terrorist financing, and other illicit finance risks. Covered investment advisers are exempt from the obligations of the regulations while the review takes place.

FinCEN intends to issue a notice of proposed rulemaking (NPRM) to propose a new effective date for these regulations no earlier than January 1, 2028.

This exemptive relief is effective from August 5, 2025, until January 1, 2028.

REFERENCE KEY

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

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No Changes to Certain 2025 Information Returns or Withholding Under OBBBA

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The IRS has announced that, under the phased implementation of the One Big Beautiful Bill Act (OBBBA), there will be no changes to individual information returns or federal income tax withholding tables for the 2025 tax year. Specifically, Form W-2, existing Forms 1099, Form 941 and other payroll return forms will remain unchanged for 2025. Employers and payroll providers should continue using current reporting and withholding

Employers Reminded That Student Loan Repayments Are Excludable Through 2025

The IRS has reminded employers that they may continue to offer student loan repayment assistance through educational assistance programs through December 31, 2025. Under current law, employers can contribute up to \$5,250 annually per employee toward student loan repayments without the amount being treated as taxable wages. This benefit, initially expanded as part of pandemic relief legislation, permits individuals to receive tax-free assistance for qualifying student debt.

Employers can include student loan payments as part of their broader educational assistance programs, which traditionally cover tuition, books, and other education expenses. For guidance on establishing or managing such plans, see Publication 15-B, Employer's Tax Guide to Fringe Benefits.

IR-2025-81

procedures. This decision is intended to avoid disruptions during the upcoming filing season and to give the IRS, businesses, and tax professionals sufficient time to implement OBBBA-related changes effectively.

For tax year 2026, the IRS is developing new guidance and updated forms, including changes to the reporting of tips and overtime

pay. The IRS will coordinate closely with stakeholders to ensure a smooth transition.

More information will be shared in the coming months about how taxpayers can claim OBBBA-related tax benefits when they file their returns. The Treasury Department and the IRS are preparing additional guidance for both reporting entities and individual taxpayers.

Individual Not Entitled to Innocent Spouse Relief

F. Wright, CA-11, 2025-2 USTC ¶150,206

An individual was not entitled to innocent spouse relief because the tax deficiency at issue was attributable solely to unreported Social Security income received by the requesting spouse. The Court of Appeals upheld the Tax Court's denial of relief under Code Sec. 6015, holding that relief

is limited to cases in which the liability arises from the income or erroneous items of the non-requesting spouse. Because the deficiency resulted entirely from income received by the requesting spouse, no relief was available.

The individual argued that consent to joint filing was lacking and that the validity of joint returns should have been

addressed. However, the Court determined that tax liability for the unreported income remained, regardless of filing status. A challenge based on separation of powers and the removal protections for Tax Court judges under Code Sec. 7443(f) did not succeed. The court found no basis to invalidate the statutory provision in the absence of harm.

TAX BRIEFS

Collections

An individual was not entitled to currently-not-collectible (CNC) status where financial disclosures showed the ability to pay outstanding tax liabilities. The IRS did not abuse its discretion in sustaining a proposed levy under Code Sec. 6330.

Epps, TC, Dec. 62,702(M)

Essential Government Function

An entity (taxpayer) derived income from the performance of an essential governmental function. The taxpayer provided captive insurance and risk-mitigation services solely to its members. The taxpayer was formed by a government entity to (1) reduce government entity's costs of

providing health care services to its subsidiaries; and (2) protect government entity's financial integrity. The income also accrued to the government or a political subdivision of the government. Thus, the taxpayer's income was excludable from gross income under Code Sec. 115(1).

IRS Letter Ruling 202532004

Federal Tax Lien

The IRS did not abuse its discretion in sustaining a federal tax lien as an individual taxpayer failed to amend self-reported liabilities or accept proposed installment agreements for the tax years at issue.

Hillman, TC, Dec. 62,701(M)

Unreimbursed Employee Expenses

An individual employed as a computer engineer was denied a deduction for unreimbursed travel expenses incurred while working at client sites. Congress temporarily suspended the provision allowing miscellaneous itemized deductions.

Hussaini, TC, Dec. 62,699(M)

Information Returns

A jockey's claims the representative guild improperly reported payments as taxable income was dismissed for failure to state a claim under Code Sec. 7434.

Molinari, DC Mass., 2025-2 USTC ¶150,207

Insurance

In consolidated cases, a grocery business' microcaptive insurance structure was held not to constitute insurance for federal tax purposes, resulting in the denial of deductions and the invalidation of an election under Code Sec. 831(b).

CFM Insurance, Inc, TC, Dec. 62,700(M)

Tax-Exempt Organizations

Six organizations were denied tax-exempt status for not operating exclusively for

exempt purposes under Code Sec. 501. In one case, the organization's stated aim was operate a commercial trade or business. In another case, the organization's venue allowed artists to sell products, giving them excessive private benefit. In two cases, the organizations' activities furthered substantial nonexempt social and recreational purposes. In another case, the organization's dissolution clauses and social activities did not meet Code Sec. 501 requirements. In the final case, the organization was operated to benefit financial interest of members.

IRS Letter Ruling 202532012; IRS Letter Ruling 202532013; IRS Letter Ruling 202532014; IRS Letter Ruling 202532015; IRS Letter Ruling 202532016; IRS Letter Ruling 202532017