



# FEDERAL TAX WEEKLY

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## Nearly Half of IRS Workforce Stop Working Amid Shutdown

About 54 percent of the Internal Revenue Service workforce will continue to work according to the updated Lapsed Appropriations Contingency Plan.

According to the latest plan, effective October 8, 2025, the documents states that for “a lapse extending through 10/8/25-4/30/26, 39,870 employees (53.6%) of the total workforce would continue to work.”

While the dates are identified, the plan also states that the document covers five business days beginning with the effective date, suggesting that further workforce reductions during the government shutdown could occur if an appropriations agreement cannot be reached within that period.

The plan identifies the activities that will continue, including preparation for the upcoming Tax Year 2026 filing season, to continue modernization efforts, and to ensure timely implementation of the One Big Beautiful Bill Act.

Among the areas that will remain operational include those activities that are supported by funds other than annual appropriations, activities necessary to safeguard human life or government property, and activities necessary for orderly agency shutdown.

The activities that will cease during the funding lapse include:

- Processing non-disaster relief transcripts;
- Most headquarters and administrative functions not related to the safety of life and protection of property;
- Non-automated collections;
- Legal counsel related to non-expected activities;
- Taxpayer services such as responding to taxpayer questions (call sites) during non-filing season;
- Information system functions (except as necessary to prevent loss of data in process and revenue collections); and
- Planning, research, training, and development activities (except as necessary to perform expected activities, e.g., filing season or needed to perform exempt activities).

The Taxpayer Advocate Service office will be closed for the duration of the government shutdown, according to a posting on the National Taxpayer Advocate website.

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## Social Security Administration Commissioner Named IRS CEO

Treasury Secretary and acting Internal Revenue Service Commissioner Scott Bessent announced that Frank Bisignano, current Social Security Administration commissioner, will take on the duties of the newly created position of IRS chief executive officer in addition to his current duties at SSA.

In an October 6, 2025, statement, Bessent said that Bisignano is the “natural choice for this role” as the IRS and SSA “share many of the same technological and customer service goals.”

According to the announcement, Bisignano will manage the IRS and oversee all day-to-day operations with a focus on collections, privacy, and customer service.

In this newly created position, Bisignano will not have to be vetted by the Senate. Calls to the Senate Finance Committee to see if there is any concern that this could be a way to circumvent the upper chamber’s role in approving leadership appointees were not returned. At press time, leadership on the Finance Committee has made no official statement.

Additionally, the Treasury Department did not respond to questions seeking clarification on whether this role is expected to be

a permanent one or something more temporary and if the White House is actively seeking to find a permanent IRS commissioner, or additional clarity on the specific role Bessent will play as acting commissioner with the creation and filling of the CEO role.

## TIGTA Raises Red Flags On 2026 Filing Season

The announcement comes in the wake of the Treasury Inspector General for Tax Administration issuing a report on the 2025 tax season and expressing concerns on the coming season.

Citing the diminished workforce, TIGTA reported it is “concerned about how this will impact the 2026 Filing Season. Key IRS functions responsible for

managing the filing season have lost 17 to 19 percent of their workforce.”

TIGTA noted that the agency initiated an effort to expand scanning and digital processing of paper-filed tax returns, which is expected to “mitigate the impact of some of the staffing losses on the 2026 Filing Season. However, the initiative is already delayed.”

The agency watchdog also highlighted that the IRS will need to hire about 3,500 new employees to reach 85 percent toll-free telephone level of service in the coming filing season.

Additionally, TIGTA reported that staffing losses will impact the Information Technology efforts. “The One Big Beautiful Bill Act will require the IRS to make substantial changes ahead of the 2026 Filing Season, but the agency will have fewer information Technology resources to timely update processing systems,” the report states.

## Jarod Koopman To Head IRS Enforcement Divisions

IR-2025-101

The IRS announced that Jarod Koopman has been appointed Acting Chief Tax Compliance Officer, leading the agency’s enforcement divisions. Koopman will oversee compliance operations, including the Large Business and International, Small Business/Self-Employed, Tax Exempt and Government Entities, Criminal

Investigation, Office of Professional Responsibility, Return Preparer, and Whistleblower Offices.

Since 2016, Koopman has advanced the IRS-Criminal Investigation’s cyber-crime capabilities, establishing leadership in cryptocurrency tracing and dark web enforcement. A 2002 graduate of the Federal Law Enforcement Training Center, he has held key roles in Chicago, Detroit,

and IRS Headquarters, contributing to national identity theft initiatives.

Additionally, Stewart Pearlman will serve as Acting Deputy Chief in the Chief Tax Compliance Officer (CTCO) organization. He previously was in the Small Business/Self-Employed Division (SBSE), with leadership roles in IT and Procurement, including oversight of ACA implementation and Offer in Compromise operations.

## Tax Exemption Regulation and Revenue Ruling Unconstitutionally Vague

Freedom Path, Inc., DCD.C. 2025-2 *ustc* ¶150,252

A district court found that the IRS denial of a nonprofit advocacy organization’s tax exemption under Code Sec. 501(c)(4) was

based on an unconstitutionally vague regulation and revenue ruling.

The court found that Reg. §1.501(c)(4)-1(a)(1)(ii) repeats the Tax Code requirement that a Code Sec. 501(c)(4)

be operated “exclusively for the promotion of social welfare.” It then provides that “[t]he promotion of social welfare does not include direct or indirect participation or intervention in political campaigns on

### REFERENCE KEY

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

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behalf of or in opposition to any candidate for public office.” However, the regulation provides that an organization can be a (c)(4) even if it qualifies as an “action organization” by participating in lobbying or legislative advocacy under the (c)(3) regulations.

The court found that Rev. Rul. 2004-6, which provides a facts and circumstances test to determine whether an expenditure for an advocacy communication relating to a public policy issue qualifies as political campaign intervention, fails to provide the kind of “explicit guidelines” that would help the agency “avoid arbitrary and discriminatory enforcement.”

The court held that relevant portions of both Reg. §1.501(c)(4)-1 and Rev. Rul. 2004-6 were unconstitutionally vague as applied to the taxpayer’s application for 501(c)(4) status, and the revenue ruling transgressed the heightened vagueness standard applicable to civil regulations, including tax-exemption regulations that affect speech covered by the First Amendment. Therefore, the Court granted summary judgment on the taxpayer’s vagueness challenge.

The Court then sought to determine what non-vague rules should be used to resolve the taxpayer’s exemption application. Because the Court rejected the IRS’s interpretation and the taxpayer did not provide an alternative, the Court denied both parties’ motions for summary judgment on this issue and asked the parties to file renewed motions to enable the court to decide the question.

## Court Lacked Jurisdiction Over Monetized Installment Sale Transaction Proposed Regulations

*S.D. Crow, DC Ida., 2025-2 USTC ¶150,253*

Proposed regulations on monetized installment sale transactions were found

## IRS Releases 2026 Inflation-Adjusted Tax Tables, Standard Deduction, AMT, and Other Amounts

The IRS has released the annual inflation adjustments for 2026 for the income tax rate tables, plus more than 60 other tax provisions. The IRS makes these cost-of-living adjustments (COLAs) each year to reflect inflation.

### 2026 Income Tax Brackets

For 2026, the highest income tax bracket of 37 percent applies when taxable income hits:

- \$768,700 for married individuals filing jointly and surviving spouses;
- \$640,600 for single individuals and heads of households;
- \$384,350 for married individuals filing separately; and
- \$16,000 for estates and trusts.

### 2026 Standard Deduction

The standard deduction for 2026 is:

- \$32,200 for married individuals filing jointly and surviving spouses;
- \$24,150 for heads of households; and
- \$16,100 for single individuals and married individuals filing separately.

The standard deduction for a dependent is limited to the greater of:

- \$1,350; or
- the sum of \$450, plus the dependent’s earned income.

Individuals who are blind or at least 65 years old get an additional standard deduction of:

- \$1,650 for married taxpayers and surviving spouses; or
- \$2,050 for other taxpayers.

### Alternative Minimum Tax (AMT) Exemption for 2026

The AMT exemption for 2026 is:

- \$140,200 for married individuals filing jointly and surviving spouses;
- \$90,100 for single individuals and heads of households;
- \$70,100 for married individuals filing separately; and
- \$31,400 for estates and trusts.

The exemption amounts phase out in 2026 when AMTI exceeds:

- \$1,000,000 for married individuals filing jointly and surviving spouses;
- \$500,000 for single individuals, heads of households, and married individuals filing separately; and
- \$104,800 for estates and trusts.

### Expensing Code Sec. 179 Property in 2026

For tax years beginning in 2026, taxpayers can expense up to \$2,560,000 in section 179 property. However, this dollar limit is reduced when the cost of section 179 property placed in service during the year exceeds \$4,090,000.

### Estate and Gift Tax Adjustments for 2026

The following inflation adjustments apply to federal estate and gift taxes in 2026:

- the gift tax exclusion is \$19,000 per donee, or \$194,000 for gifts to spouses who are not U.S. citizens;

not subject to judicial review. The District Court held that the IRS release of proposed regulations identifying such transactions as “listed transactions” under Code Sec. 6011 and Code Sec. 6111 was not a final agency action within the meaning of the Administrative Procedure Act.

The taxpayers, an individual and corporation engaged in capital asset transactions, challenged IRS and Treasury authority to designate monetized installment sale transactions as reportable tax avoidance schemes. They argued that these transactions, permitted under Code Sec. 453, lawfully defer gain recognition and that the notice of proposed rulemaking (NPRM) containing the proposed regulations and related reporting rules caused immediate business harm.

The Court found the NPRM to be only the first step in rulemaking, creating no binding legal obligations until final regulations are issued. It further ruled that Code Sec. 7805(b), limiting retroactive regulations, does not independently authorize

- the federal estate tax exclusion is \$15,000,000; and
- the maximum reduction for real property under the special valuation method is \$1,460,000.

### 2026 Inflation Adjustments for Other Tax Items

The maximum foreign earned income exclusion amount in 2026 is \$132,900.

The IRS also provided inflation-adjusted amounts for the:

- adoption credit;
- earned income credit;
- excludable interest on U.S. savings bonds used for education;
- various penalties; and
- many other provisions.

### Effective Date of 2026 Adjustments

These inflation adjustments generally apply to tax years beginning in 2026, so they affect most returns that will be filed in 2027. However, some specified figures apply to transactions or events in calendar year 2026.

*Rev. Proc. 2025-32; IR-2025-103*

review of proposed rules. Because the IRS’s proposal was neither final nor ripe, the Court dismissed the complaint for lack

of subject matter jurisdiction, emphasizing that judicial review must await a final regulation.

## Individual Failed To File Timely Notice of Appeal; Court Lacked Jurisdiction

*J. Belcik, CA-11, 2025-2 USTC ¶150,246*

An individual taxpayer failed to file a timely notice of appeal from an underlying liability order that found him liable for tax deficiencies. Consequently, the court lacked jurisdiction to review the liability order.

The taxpayer had federal income tax liabilities and additions for tax years 2008 through 2016. He alleged that (1) the IRS failed to prove it properly provided the notices of deficiency; and (2) the Tax

Court lacked jurisdiction because it failed to make an explicit finding that the notices were sent via certified mail. The Tax Court denied the taxpayer’s second motion for reconsideration of the deficiencies.

The appeals court held that successive post-judgment motions do not continue to toll the time to appeal from an underlying judgment, referencing *Dixie Sand & Gravel Co. v. Tenn. Valley Auth.*, 631 F.2d 73, 74–75 (CA-5) (1980). The taxpayer filed a timely motion to vacate the Tax Court’s decision, which tolled the time

for the taxpayer to file a notice of appeal. However, the taxpayer filed his notice of appeal to challenge the liabilities after the expiration of the 90-day deadline.

Finally, the taxpayer’s second motion for reconsideration was improper. It provided no basis for the Tax Court to revisit its prior rulings by pointing to facts or law that it may have overlooked.

Unpublished opinion, dismissing in part and affirming in part, per curiam, a Tax Court opinion, Dec. 62,457(M), T.C. Memo. 2024-49.

## Penalty Relief Provided for Failure To Deposit Remittance Excise Tax

*Notice 2025-55; IR-2025-102*

The IRS is providing penalty relief for remittance transfer providers who fail

to deposit excise tax. Code Sec. 4475, as added by P.L. 119-21, imposes a one percent tax on the amount of certain remittance transfers that occur after December

31, 2025. This notice provides relief from failure to deposit penalties under Code Sec. 6656 for the first, second, and third calendar quarters of 2026. This notice also

provides that a remittance transfer provider's ability to use the deposit safe harbor under Reg. §40.6302(c)-1(b)(2) will not be affected by a failure during the first three calendar quarters of 2026 to make deposits of the remittance transfer tax as required, provided the remittance transfer provider satisfies certain requirements.

The remittance transfer tax applies only to remittance transfers for which the sender provides cash, a money order, a cashier's check, or any other similar physical instrument to the remittance transfer provider. The remittance transfer tax is paid by the sender, and the remittance transfer provider collects and remits the remittance transfer tax quarterly. If the remittance transfer tax is not collected at the time of the remittance transfer, the tax must be paid by the remittance transfer provider.

The remittance transfer tax is reported on Form 720, *Quarterly Federal Excise Tax Return*. The tax deposit for each semimonthly period must not be less than 95 percent of the amount of net tax liability incurred during the semimonthly period unless a deposit safe harbor applies.

Under the deposit safe harbor, any person who filed Form 720 for the second preceding calendar quarter (look-back quarter) is considered to have met the semimonthly deposit requirement for the current quarter if: (i) the deposit for each semimonthly period in the current calendar quarter is not less than 1/6 of the net tax liability reported for the look-back quarter; (ii) each deposit is made on time; (iii) the amount of any underpayment is paid by the due date of Form 720; and (iv) the person's liability does not include any tax that was not imposed during the look-back quarter. As the remittance transfer tax is effective beginning January 1, 2026, the first deposit, covering the first 15 days of January 2026, is due by January 29, 2026.

Because the deposit safe harbor rules require a look-back quarter in which the same taxes are imposed to determine deposit amounts in the current quarter, a remittance transfer provider will be unable to use the deposit safe harbor to calculate semimonthly deposits of the tax until the third calendar quarter of 2026. For purposes of the deposit safe harbor, the first

calendar quarter of 2026 is the look-back quarter for the semimonthly periods during the third calendar quarter of 2026.

To provide a transition period for remittance transfer providers to familiarize themselves with the new tax and its reporting and deposit requirements, the Department of the Treasury and the IRS have determined that it is in the interest of sound tax administration to provide relief from the Code Sec. 6656 penalty with respect to remittance transfer tax deposits for the first three calendar quarters of 2026. Specifically, for semimonthly periods in the first three calendar quarters of 2026, a remittance transfer provider will be deemed to have satisfied the reasonable cause standard under Code Sec. 6656 if: (i) the remittance transfer provider makes timely deposits of the applicable remittance transfer tax, even if the deposit amounts are computed incorrectly, and (ii) the amount of any underpayment of the applicable remittance transfer tax for each calendar quarter is paid in full by the due date for filing the Form 720 for that quarter.

## Washington Round-up

**Treasury and IRS nominees advance.** The Senate Finance Committee on October 8, 2025, advanced two Department of the Treasury nominees, each by a 14-13 vote – Jonathan Greenstein and Derek Theurer, both of whom would be in a deputy undersecretary position if confirmed by the full Senate. The committee also voted to advance Donald Korb by a 15-12 vote to serve as chief counsel of the Internal Revenue Service and an assistant general counsel to the Treasury Department. The three were confirmed without having to

field any questions by the Finance committee, nor did they even make any statements during the confirmation hearing that was attended by no committee members other than the chairman and ranking member.

**AICPA makes recommendations to IRS amid shutdown.** The American Institute of CPAs in an October 9 letter to Internal Revenue Service Acting Commissioner Scott Bessent made a series of recommendations that the IRS could take to “mitigate the negative impact

of the shutdown on taxpayers and their practitioners,” including discontinuing all compliance actions and automated collections activities; maintaining all online systems and accounts; implementing a modified reasonable cause penalty waiver; and providing targeted estimated tax and late payment penalty relief. A copy of this and other 2025 AICPA tax policy and advocacy comment letters can be found at <https://www.aicpa-cima.com/advocacy/article/2025-tax-policy-and-advocacy-comment-letters>.

## TAX BRIEFS

### *Liens and Levies*

An individual convicted of bank larceny was not entitled to prevent the government

from garnishing a college savings account. The District Court held that under Code Sec. 529, the tax treatment of such accounts

does not alter ownership or exempt them from restitution enforcement.

*Gould, DC Calif., 2025-2 ustc ¶150,254*

The IRS did not abuse discretion in sustaining a Notice of Federal Tax Lien under Code Secs. 6320 and 6330 after the taxpayer failed to file required returns or provide financial data.

*Horizon Health Services, Inc, TC, Dec. 62,727(M)*

An individual was properly served through substitute service. A process server (1) left a copy of the summons and complaint with another individual at the taxpayer's residence, and (2) mailed the same documents to the taxpayer's residence. The taxpayer had unpaid tax liabilities and was liable for penalties, plus statutory interest and additions.

*Vollrath, DC Calif., 2025-2 USTC ¶150,255*

### **Penalties**

The IRS secured timely written supervisory approval under Code Sec. 6751(b)(1) before asserting a penalty against a corporation for a substantial understatement of income tax.

*Computer Sciences Corporation, TC, Dec. 62,724*

### **Statute of Limitations**

An individual taxpayer was precluded from contesting the timeliness of IRS deficiency notices issued for losses claimed through a partnership engaged in a Son-of-BOSS tax shelter.

*Gonzales, TC, Dec. 62,726(M)*

### **Tax-Exempt Organizations**

A homeowners' association was not entitled to tax-exempt status under Code Sec. 501(c)(4). The Tax Court found that the organization primarily benefited its members rather than promoting social welfare for the public.

*Mira Vista Homeowners Association, inc, TC, Dec. 62,725(M)*

### **Unreported Income**

In consolidated cases, a married couple and their hospice corporation failed to show that their accounting records clearly reflected income for the tax years at issue.

*Garibyan, TC, Dec. 62,728(M)*