



FEDERAL TAX WEEKLY

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Trump Account Questions Addressed

Notice 2025-68; IR 2025-117

The IRS has answered initial questions regarding Trump accounts, which it intends to address in forthcoming proposed regulations. The guidance addresses general questions relating to the establishment of the accounts, contributions to the accounts, and distributions from the accounts under Code Secs. 128, 530A, and 6434. Comments, specifically on issues identified in the notice, should be submitted in writing on or before February 20, 2026, by mail or electronically.

Establishment of the Accounts

An account may be established for the benefit of an eligible individual by making an election on Form 4547, Trump Account Election(s), or through an online tool or application on trumpaccounts.gov. A Trump account may be created at the same time that an election is made to receive a pilot program contribution. A Trump account is a traditional IRA under Code Sec. 408(a).

A rollover Trump account can only be established after the initial Trump account is created and during the growth period of the account, which is the period that ends before January 1 of the calendar year in which the account beneficiary attains age 18. A rollover account must first be funded by a qualified rollover contribution before receiving any other contribution. Additional rules regarding the choice of trustee, rollover accounts, and the written government instrument requirements are discussed in section III.A of the notice.

Pilot Program and Contributions

The election to receive a pilot program contribution is made on Form 4547 or through the online tool, once available. Pilot program contributions will be deposited into the Trump account of an eligible child no earlier than July 4, 2026.

Trustees of Trump accounts must maintain procedures to prevent contributions from exceeding the annual limit of Code Sec. 530A(c)(2)(A). Trustees are required to collect and report the amount and sources of contributions. Contributions may be made to a Trump account and to an individual retirement arrangement for the same individual during the growth period in accordance with the rules of Code Secs. 408 and 530A(c)(2).

Qualified general contributions will be transferred by the Treasury Department or its agent to the trustee of a Trump account pursuant to a general funding contribution. More information on how and where permitted entities will make an application to make a general funding contribution will be provided before the application process opens.

An employer can exclude up to \$2,500 from the gross income of an employee for a contribution made by the employer to a Trump account contribution program.

The annual limit is per employee, not per dependent. A Trump account contribution may be made by salary reduction under a Code Sec. 125 cafeteria plan if the contribution is made to the Trump account of the employee's dependent and not if the contribution is made to the Trump account of the employee.

Eligible Investments

The terms "mutual fund" and "exchange traded fund" are explained, with additional comments requested on their definitions. The tracking of returns of an index and leverage for purposes of Trump accounts are also described. A mutual fund or exchange traded fund will meet the requirements of having annual fees and expenses of no more than 0.1% of the balance of the investment fund if the sum of its annual fees and expenses is less than 0.1% of the value of the fund's net assets. Additional questions regarding eligible investments are discussed in section III.D of the notice.

Base Period T-Bill Rate for DISC Shareholders Issued

The IRS has released a table outlining the base-period Treasury bill rate for the period that ended on September 30, 2025. The base-period T-bill rate for the covered period is 4.08 percent. The figures in the table are used to determine the amount of interest to be paid each year by a shareholder of a domestic international sales corporation (DISC). That amount is equal to the product of the shareholders' DISC-related deferred tax liability for the year and the base-period T-bill rate.

Rev. Rul. 2025-23

Distributions

Only permitted distributions, which are qualified rollover contributions or qualified ABLE rollover contributions, excess contributions, or distributions upon the death of an account beneficiary, are allowed during the growth period. Hardship distributions during the growth period are not allowed. If an account beneficiary dies after the growth period, the rules that apply to other individual retirement accounts after the death of the account owner apply. If the Trump account beneficiary dies during

the growth period, the account ceases to be a Trump account and an IRA as of the date of death.

Reporting and Coordination with IRA Rules

Annual reporting by the Trump account trustee is required. Forms and instructions will be issued in the future. After the growth period, distributions from Trump accounts are governed by the IRA distribution rules of Code Sec. 408(d).

Proposed Regulations To Be Issued on Transition Rule for Subpart F, GILTI Dividends

Notice 2025-75

Treasury and the IRS intend to issue proposed regulations on the transition rule for dividends in section 70354(c)(2) of the One Big Beautiful Bill Act (OBBBA) (P.L. 119-21). The transition rule modifies Code Sec. 951(a)(2)(B) for tax years of foreign corporations beginning before Jan. 1, 2026.

U.S. shareholders of controlled foreign corporations (CFCs) must include the CFCs' subpart F income and global intangible low-taxed income (GILTI) in gross

income. OBBBA amended the subpart F and GILTI rules for tax years of foreign corporations beginning after December 31, 2025. OBBBA therefore included a transition rule for dividends. A dividend paid or deemed paid by a CFC is not treated as a dividend for pre-amendment Code Sec. 951(a)(2)(B) purposes if:

- the dividend was paid (or deemed paid)—
 - on or before June 28, 2025, and the U.S. shareholder did not own the stock of the CFC on or before June 28, 2025, or

— after June 28, 2025, and before the CFC's first tax year beginning after December 31, 2025, *and*

- the dividend does not increase the taxable income of a U.S. person that is subject to federal income tax for the tax year, including by reason of a dividends received deduction, an exclusion from gross income, or an exclusion from subpart F income.

The forthcoming proposed regulations would provide rules on the meaning of the terms "dividends paid," "U.S. person subject to Federal income tax," and "does not

REFERENCE KEY

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

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increase taxable income.” The proposed regulations also will include a look-through rule for partnerships and S corporations.

The forthcoming proposed regulations will apply to tax years of a CFC that either (i) include June 28, 2025, or (ii) begin after June 28, 2025, but before the CFC’s first tax year beginning after December 31, 2025. A taxpayer may rely on the rules described in the notice for dividends paid before the forthcoming proposed regulations are published in the Federal Register if the taxpayer and its related parties follow the rules entirely and consistently for all dividends paid before the forthcoming proposed regulations are published.

Taxpayers may submit comments on Notice 2025-75 electronically via the Federal eRulemaking Portal at <https://www.regulations.gov> until February 2, 2026.

2025 Retirement Plan Required Amendments List Issued

The IRS has issued its 2025 Required Amendments List (2025 RA List) for individually designed employee retirement plans. RA Lists apply to both Code Secs. 401(a) and 403(b) individually designed plans. The entries listing changes in qualification requirements on the 2025 RA List are as follows:

- Required minimum distribution rules are updated under SECURE Act Sections 114 and 401, affecting required beginning dates and beneficiary distribution periods.
- Final regulations on required minimum distributions incorporate SECURE Act and SECURE 2.0 Act changes for qualified plans and section 403(b) arrangements.
- Partnership and trust attribution rules are revised to apply attribution principles to controlled group determinations under Code Sec. 414(c), effective for plan years beginning on or after January 1, 2025.

There are no changes related to optional plan provisions on the 2025 RA List.

Notice 2025-60

Deemed Paid Foreign Tax Credit Proposed Regulations To Be Issued

Notice 2025-77

Treasury and the IRS intend to issue proposed regulations under Code Sec. 960(d) (4), which disallows a foreign tax credit for 10 percent of any foreign income taxes paid or accrued (or deemed paid under Code Sec. 960(b)(1)) on any amount excluded from gross income under Code Sec. 959(a) because it was included in gross income as global intangible low-taxed income (GILTI) under Code Sec. 951A(a). The One Big Beautiful Bill Act (OBBBA) (P.L. 119-21) enacted Code Sec. 960(d)(4) to increase the deemed

paid foreign tax credit from 80 percent to 90 percent.

The forthcoming proposed regulations will clarify that Code Sec. 960(d) (4) applies to foreign income taxes paid or accrued (or deemed paid under Code Sec. 960(b)(1)) with respect to a Code Sec. 959(a) distribution to the extent the previously taxed earnings and profits (PTEP) results from a GILTI inclusion of a U.S. shareholder in a tax year ending after June 28, 2025. The relevant tax year is that of the U.S. shareholder. PTEP will be grouped into pre-June 28, 2025, and post-June 28, 2025, groups.

An example illustrating the new rules is provided.

The forthcoming proposed regulations will apply to foreign income taxes paid or accrued (or deemed paid) on any amount excluded from gross income because of a GILTI inclusion, provided that the inclusion is in a tax year of the U.S. shareholder ending after June 28, 2025. Taxpayers may rely on the guidance in the notice for tax years of U.S. shareholders beginning before the date the proposed regulations are published in the Federal Register, if they follow the guidance entirely and consistently for all applicable tax years.

Proposed Regulations To Be Issued on Calculating Deduction Eligible Income

Notice 2025-78

Treasury and the IRS intend to issue proposed regulations providing rules for calculating deduction eligible income (DEI) under Code Sec. 250(b)(3). The proposed

regulations will provide guidance on Code Sec. 250(b)(3)(A)(i)(VII), which was added to the Code by the One Big Beautiful Bill Act (OBBBA) (P.L. 119-21). The new code section excludes income and gain from the sale or other disposition of intangible property

and any other property that is subject to depreciation, amortization, or depletion by the seller from the determination of DEI.

The forthcoming proposed regulations will clarify the meaning of the terms “sale or other disposition,” “intangible property,”

and “other excluded property.” The proposed regulations also will include a related party anti-abuse rule and provide several examples illustrating the new guidance.

The forthcoming proposed regulations, when finalized, will apply to sales

or other dispositions occurring after June 16, 2025. Taxpayers may rely on the rules in the notice for sales or other dispositions occurring before the forthcoming proposed regulations are published in the Federal Register if they apply the rules

entirely and consistently for all applicable tax years.

Taxpayers may submit comments on the notice electronically via the Federal eRulemaking Portal at <https://www.regulations.gov> until February 2, 2026.

Energy Project Credit Certifications Issued

Announcement 2025-22; Announcement 2025-23

The IRS has disclosed the first set of certifications for the qualifying advanced energy project credit under Code Sec. 48C(e) for the period beginning:

- March 29, 2024, through September 30, 2025, resulting from the Round 1 allocation; and
- January 10, 2025, through September 30, 2025, resulting from the Round 2 allocation.

The Service also disclosed the identities of taxpayers and amounts of the

Code Sec. 48C credits allocated to the taxpayers.

Background

Notice 2023-18, I.R.B. 2023-10, established a program to allocate \$10 billion of credits for qualified investments in eligible qualifying advanced energy projects under Code Sec. 48C(e)(1). Code Sec. 48C(e)(4)(A) provides a base credit rate of 6 percent of the qualified investment. In cases where projects satisfy Code Secs. 48C(e)(5)(A) and (6), the Service would provide an alternative rate of 30 percent of the qualified investment.

Certification

Each applicant for certification has two years from the date of acceptance of the Code Sec. 48C(e) application. During this time, the applicant needs to submit evidence that the requirements of the certification have been met. The IRS will publish additional notices annually for certifications issued during each successive 12-month period beginning on October 1, 2025 for both Round 1 and 2.

IRS, Summit Partners Hold National Tax Security Awareness Week

IR 2025-118

The IRS and Security Summit partners held the 10th National Tax Security Awareness Week to warn individuals, businesses, and tax professionals about rising identity theft threats during the holiday season. The initiative focuses on schemes aimed at stealing personal financial data to file fraudulent tax returns, with scammers increasingly targeting tax professionals because of their access to sensitive client information.

The Security Summit is coalition of the IRS, state tax administrators, tax software companies, the tax professional community and others in the larger tax community, organized to combat tax-related identity theft through a public-private sector partnership that strengthened internal protections and raised awareness about security threats.

A key defense tool is the Identity Theft Information Sharing and Analysis Center, which helped identify emerging schemes and coordinate responses across

the tax industry. The IRS highlighted several areas of concern. These include social media scams that spread false tax advice, phishing emails and smishing texts used to steal financial data, and schemes aimed at seniors who are often pressured to send money. The IRS reminds businesses and tax professionals of security obligations and encouraged individuals to obtain an Identity Protection PIN to prevent misuse of their identifying numbers.

Washington Round-up

House passes Fair and Accountable IRS Reviews Act. The House of Representatives on Dec. 1, 2025, passed by voice vote the Fair and Accountable IRS Reviews Act (H.R. 5346). According

to a summary of the bill posted to the [Congress.gov](https://www.congress.gov) website, before any written communication related to certain federal tax penalties can be sent to a taxpayer, an Internal Revenue Service supervisor

approve, in writing, the penalties that are to be imposed on the taxpayer. “Right now, an IRS agent can impose a penalty on an American taxpayer before obtaining a supervisor’s approval,” House Ways

and Means Committee Chairman Jason Smith (D-Mo.) said on the House floor prior to the voice vote. “Moreover, they can shop around for any other employee at the agency they wish to seek permission from since current law does not require approval from a direct supervisor. These loopholes undermine the ‘no signature, no penalty’ principle.” The Senate has not yet taken up the bill.

House passes the Tax Court Improvement Act. The House of Representatives on December 1, 2025, passed by voice vote the Tax Court Improvement Act (H.R. 5349). According to the summary on Congress.gov, the bill “expands the authority of the U.S. Tax Court to issue subpoenas, authorizes the Tax Court to extend certain petition deadlines, and makes other changes related to Tax Court procedures.” Additionally, the bill expands the type of Tax Court proceedings for which special trial judges may be appointed; authorizes Tax Court special judges to impose fines up to \$5,000 and up to 30 days in jail for contempt of court; and requires Tax Court judges and special trial judges to recuse themselves in certain circumstances.

House Ways and Means Chairman Jason Smith (R-Mo.) said prior to passage that the bill “strengthens taxpayer rights during judicial proceedings before the U.S. Tax Court. The court will be able to more expeditiously resolve cases as the legislation enhances the efficiency of its judicial review to the benefit of the taxpayer. This will increase the court’s productivity, and Tax Court judges will also be held to the same disqualification standards as other judges. Finally, the court will now have the ability to extend taxpayer deadlines where timely filing is impractical.” The Senate has not yet taken up the bill.

Internal Revenue Service Math and Taxpayer Act signed into law. President Trump on December 1, 2025, signed the Internal Revenue Service Math and Taxpayer Act (H.R. 998) into law. According to the summary of the bill on Congress.gov, the bill requires the IRS “to provide specific information on a notice related to a math or clerical error, send a notice related to an abatement of taxes assessed due to a math or clerical error, provide procedures for requesting such an abatement, and implement a pilot program for sending notices of a math

or clerical error.” The bill also requires the agency “to send a notice related to an abatement of tax assessed due to a math or clerical error that clearly describes the abatement and includes an itemized computation of adjustments to be made to the items described in the notice of the error.” Additionally, the bill requires the IRS to provide procedures for taxpayers to request in writing, electronically, by phone, or in person an abatement tax assessed due to a math or clerical error and implement a pilot program to send notices of a math or clerical error by certified or registered mail. National Taxpayer Advocate Erin Collins, in a same-day blog post, called the signing the bill into law “a long-overdue reform that strengthens taxpayer rights, improves transparency, and ensures fairness in IRS communications.... By requiring the IRS to clearly describe the specific error, inform taxpayers of their 60-day right to request abatement, and establish a pilot program whereby the IRS will send these critical notices by certified or registered mail, the legislation strengthens taxpayer protections, promotes transparency, and enhances trust in the fairness of the tax system.”

TAX BRIEFS

Foreign Earned Income Exclusion

A U.S. citizen was granted permission to reelect the foreign earned income exclusion in accordance with Code Sec. 911 and its regulations. The taxpayer had effectively revoked the foreign earned income exclusion election for the prior year and later moved to a new foreign country and commenced employment with a new employer. The taxpayer represented that the applicable foreign income tax rates differed between countries.

IRS Letter Ruling 202549005

IRS

The IRS’s Office of Professional Responsibility has published the names of attorneys, certified public accountants (CPAs), enrolled agents, enrolled

actuaries, enrolled retirement plan agents, and appraisers who have been disbarred from practice before the IRS, have consented to suspensions from practice, have been placed under suspension from practice under the expedited proceeding provisions, or have consented to the issuance of a censure. Attorneys, CPAs, enrolled agents, enrolled actuaries, and enrolled retirement plan agents are barred from accepting assistance from, or assisting, any disbarred or suspended practitioner if the assistance relates to a matter constituting practice before the IRS. Further, they cannot knowingly aid or abet another person to practice before the IRS during the period of that person’s suspension, disbarment, or ineligibility.

Announcement 2025-29

Offer-in-Compromise

The IRS did not abuse its discretion in rejecting an individual’s offer-in-compromise. The Tax Court found the offer was validly returned within the 24-month period under Code Sec. 7122(f) and thus not accepted by default.

Brown, TC, Dec. 62,752(M)

Real Estate Investment Trusts

An entity that elected to be a real estate investment trust (REIT) was granted rulings confirming that income from the issuance of carbon credits accrues under Code Sec. 451 when earned, received, or due, and that such income is qualifying income under Code Sec. 856(c). The taxpayer generated credits by agreeing to land-use restrictions on its real property, which

the IRS viewed as comparable to granting easements.

IRS Letter Ruling 202549006

Tax-Exempt Organizations

Three organizations were denied tax-exempt status for not operating exclusively for exempt purposes under Code Sec. 501. In the first case, the organization did not meet the operational test under Code Sec. 501(c)(3). In the second case, the organization ceased operations in per return information and failed to provide books and

record to verify its continue qualification for tax-exempt status. In the third case, the organization activities furthered substantial non-exempt social and recreational purposes and operated to benefit the private interests of its members.

IRS Letter Ruling 202548024; IRS Letter Ruling 202548026; IRS Letter Ruling 202548027

Five organizations had their tax-exempt status denied under Code Sec. 501(c)(3). All organizations failed both the organizational and operational tests and were

unable to demonstrate that they operated for one or more exempt purposes, serving private rather than public interests.

IRS Letter Ruling 202549015; IRS Letter Ruling 202549016; IRS Letter Ruling 202549019; IRS Letter Ruling 202549020; IRS Letter Ruling 202549021

Unreported Income

An individual was not entitled to deduct corporate expenses or exclude payments received from a closely held corporation.

Alioto, TC, Dec. 62,751(M)