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2026 Standard Mileage Rates Released

Notice 2026-10; IR 2025-128

The IRS released the optional standard mileage rates for 2026. Most taxpayers may use these rates to compute deductible costs of operating vehicles for business, medical, and charitable purposes. Some members of the military may also use these rates to compute their moving expense deduction.

2026 Standard Mileage Rates

The standard mileage rates for 2026 are:

- 72.5 cents per mile for business uses;
- 20.5 cents per mile for medical uses; and
- 14 cents per mile for charitable uses.

Taxpayers may use these rates, instead of their actual expenses, to calculate their deductions for business, medical or charitable use of their own vehicles.

FAVR Allowance for 2026

For purposes of the fixed and variable rate (FAVR) allowance, the maximum standard automobile cost for vehicles places in service after 2026 is $61,700 for passenger automobiles, trucks, and vans.

Employers can use a FAVR allowance to reimburse employees who use their own vehicles for the employer's business.

2026 Mileage Rate for Moving Expenses

The standard mileage rate for the moving expense deduction is 20.5 cents per mile. To claim this deduction, the taxpayer must be:

- a member of the Armed Forces of the United States,
- on active military duty, and
- moving under an military order and incident to a permanent change of station

The Tax Cuts and Jobs Act of 2017 suspended the moving expense deduction for all other taxpayers until 2026 and the One Big Beautiful Bill Act made the suspension permanent.

Unreimbursed Employee Travel Expenses

For most taxpayers, the Tax Cuts and Jobs Act suspended the miscellaneous itemized deduction for unreimbursed employee travel expenses and the One Big Beautiful Bill Act

made the suspension permanent. However, certain taxpayers may still claim an above-the-line deduction for these expenses. These taxpayers include:

- members of a reserve component of the U.S. Armed Forces,
- state or local government officials paid on a fee basis, and
- performing artists with relatively low incomes.

Notice 2025-5, is superseded.

International No Advance Ruling Issues Announced

The IRS has provided an updated list of subject areas under the jurisdiction of the Associate Chief Counsel (International) for which it will not issue advance letter rulings or determination letters or will issue letters only if justified by unique and compelling circumstances. The procedures are effective January 5, 2026. Rev. Proc. 2025-7, I.R.B. 2025-1, 301, is superseded.

Rev. Proc. 2026-7

Proposed Regulations Issued on Car Loan Interest Deduction

Proposed Regulations, NPRM REG-113515-25; IR 2025-129

Proposed regulations regarding the deduction for qualified passenger vehicle loan interest (QPVLI) and the information reporting requirements for the receipt of interest on a specified passenger vehicle loan (SPVL), Code Sec. 163(h)(4), as added by the One Big Beautiful Bill Act (P.L. 119-21), provides that for tax years beginning after December 31, 2024, and before January 1, 2029, personal interest does not include QPVLI. Code Sec. 6050AA provides that any person engaged in a trade or business who, in the course of that trade or business, receives interest from an individual aggregating $600 or more for any calendar year on an SPVL must file an information return reporting the receipt of the interest.

Qualified Personal Vehicle Loan Interest

QPVLI is deductible by an individual, decedent's estate, or non-grantor trust, including a with respect to a grantor trust or disregarded entity deemed owned by the individual, decedent's estate, or non-grantor trust. The deduction for QPVLI may be taken by taxpayers who itemize deductions and those who take the standard deduction. Lease financing would not be considered a purchase of an applicable passenger vehicle (APV) and, thus, would not be considered a SPVL. QPVLI would not include any amounts paid or accrued with respect to lease financing.

Indebtedness will qualify as an SPVL only to the extent it is incurred for the purchase of an APV and for any other items or amounts customarily financed in an APV purchase transaction and that directly relate to the purchased APV, such as vehicle service plans, extended warranties, sales, and vehicle-related fees. Indebtedness is an SPVL only if it was originally incurred by the taxpayer, with an exception provided for a change in obligor due to the obligor's death. Original use begins with the first person that takes delivery of a vehicle after the vehicle is sold, registered, or titled and does not begin with the dealer unless the dealer registers or titles the vehicle to itself.

Personal use is defined to mean use by an individual other than in any trade or business, except for use in the trade or business of performing services as an employee, or for the production of income. An APV is considered purchased for personal use if, at the time of the indebtedness is incurred, the taxpayer expects the APV will be used for personal use by the taxpayer that incurred the indebtedness, or by certain members of that taxpayer's family and household, for more than 50 percent of the time. Rules with respect to interest that is both QPVLI and interest otherwise deductible under Code Sec. 163(a) or other Code section are provided and intended to provide clarity and to prevent taxpayers from claiming duplicative interest deductions. The $10,000 limitation of Code Sec. 163(h)(4)(C)(i) applies per federal tax return. Therefore, the maximum deduction on a joint return is $10,000. If two taxpayers have a status of married filing separately, the $10,000 limitation would apply separately to each return.

Information Reporting Requirements

If the interest recipient receives from any individual at least $600 of interest on an SPVL for a calendar year, the interest recipient would need to file an information return with the IRS and furnish a statement to the payor or record on the SPVL. Definitions of terms used in the proposed rules are provided in Prop. Reg. §1.6050AA-1(b).

REFERENCE KEY

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

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Assignees of the right to receive interest payments from the lender of record are permitted to rely on the information in the contract if it is sufficient to satisfy its information reporting obligations. The assignee may choose to make arrangements to obtain information regarding personal use from the obligor, lender of record, or by other means. The written statement provided to the payor of record must include the information that was reported to the IRS and identify the statement as important tax information that is being furnished to the IRS and state that penalties may apply for overstated interest deductions.

Effective Dates and Requests for Comments

The regulations are proposed to apply to tax years in which taxpayers may deduct QPVLI pursuant to Code Sec. 163(h)(4). Taxpayers may rely on the proposed regulations under Code Sec. 163 with respect to indebtedness incurred for the purchase of an APV after December 31, 2024, and on or before the regulations are published as final regulations, so long as the taxpayer follows the proposed regulations in their entirety and in a consistent manner. Likewise, interest recipients may rely on the proposed regulations with respect to indebtedness incurred for the purchase of an APV after December 31, 2024, and on or before the date the regulations are published as final regulations, so long as the taxpayer follows the proposed regulations in their entirety and in a consistent manner.

Written or electronic comments must be received by February 2, 2026. A public hearing is scheduled for February 24, 2026.

Safe Harbor for 2025 Carbon Oxide Sequestration Credit if No Reporting Tool Available

Notice 2026-1; IR 2025-122

The IRS has issued interim guidance for taxpayers seeking the Code Sec. 45Q carbon oxide sequestration credit for tax year 2025. The guidance establishes a safe harbor for cases in which the Environmental Protection Agency (EPA) does not launch its electronic Greenhouse Gas Reporting Tool (e-GGRT) for the 2025 reporting year by June 10, 2026. In this case, taxpayers may prepare and submit an annual report to a qualified independent engineer or geologist. The engineer or geologist must then certify that the capture and disposal described in the annual report is in compliance with relevant greenhouse gas reporting program requirements as in effect on December 31, 2025, in the manner specified in this guidance. The report must include mass balance and monitoring data and affirm the certifier's independence. Taxpayers must also file Form 8933 and retain records under Code Sec. 6001.

Taxpayers may rely on the safe harbor and guidance to demonstrate compliance with the subpart RR requirements of Reg. §1.45Q-3(b)(1)(ii) or Reg. §1.45Q-2(h)(5)(iii), as applicable, and Reg. §§1.45Q-3(d), for determining the Code Sec. 45Q credit for 2025 Calendar Year Secure Geological Storage. To rely upon the safe harbor, a taxpayer must complete all documentation and obtain the certification described in this notice by the time it (or if an election has been made under Code Sec. 45Q(f)(3)(B), a credit claimant) timely files its relevant tax return.

Treasury and IRS intend to issue proposed regulations under Code Sec. 45Q containing updated requirements for taxpayers claiming the credit for secure geological storage after the 2025 calendar year.

Dyed Fuel Refund Guidance To Be Issued

Announcement 2026-1; IR 2025-125

The Treasury Department and the IRS intend to issue guidance related to claims for a tax refund under Code Sec. 6435. The forthcoming guidance will inform taxpayers that paid Code Sec. 4081 tax on diesel fuel or kerosene and later removed such fuel as dyed fuel of the process for requesting a refund of the tax.

The One Big Beautiful Bill Act (OBBBA), P.L. 119-21, added Code Sec. 6435 to allow recovery of the amount of Code Sec. 4081 tax previously paid on diesel fuel and kerosene that later qualifies as eligible indelibly dyed diesel fuel or kerosene (dyed fuel) exempt from the Code Sec. 4081 tax under Code Sec. 4082(a). Code Sec. 6435 is effective for dyed fuel removed on or after December 31, 2025.

Code Sec. 6435 differs from other excise tax provisions in that it lacks a directive to treat the payments as if they constitute refunds of overpayments of the underlying tax. Further OBBBA does not provide a specific appropriation for Code Sec. 6435 payments. The only existing appropriation for paying Code Sec. 6435 claims is the general refund appropriation, which is available only to the extent the claimant is the same person that paid the Code Sec. 4081 tax to which the claim relates. Thus, absent a statutory change, the Treasury Department and the IRS lack the authority to pay Code Sec. 6435 claims to anyone other than the person that paid the Code Sec. 4081 tax on the dyed fuel to which the claim relates.

The Treasury Department and the IRS anticipate issuing guidance on process for requesting a refund in early 2026 and request that taxpayers hold any Code Sec. 6435 claims until this guidance is issued. The IRS will not process any Code Sec. 6435 claims until such guidance is issued.

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Seventh Amendment Challenge to Accuracy Penalty Fails

Riddle Aggregates, LLC, 165 T.C. No. 12, Dec. 62,755

A partnership was denied partial summary judgement on its claim that the Seventh Amendment to the U.S. Constitution renders the accuracy-related penalty under Code Sec. 6662 not assessable as a matter of law.

Under Code Sec. 6662(a)-(e) and (h), a 20-percent accuracy-related penalty can be assessed for underpayments of tax that are due to negligence, substantial understatement of income tax, or substantial valuation misstatement. The partnership cited the Supreme Court's decision in *SEC v. Jarkesy,* 144 S. Ct. 2117 (2024), in support of its argument that the Seventh Amendment provides a right to a jury trial in suits at common law and, because jury trials are unavailable in the Tax Court and Tax Court judges are not Article III judges, that the Tax Court cannot authorize accuracy penalties should therefore redetermine those penalties "to be zero."

The Tax Court cited its own decision in *Silver Moss Properties, LLC* (Dec. 62,707, 165 TC No. 3) in which the Tax Court held that the Seventh Amendment does not apply to suits against the sovereign and that Congress has not otherwise consented to trial by jury in TEFRA partnership-level actions. *Silver Moss* also held that the public rights exception to the Seventh Amendment applies to the civil fraud penalty under Code Sec. 6663(a) and the Tax Court found this exception also applies to accuracy-related penalties under Code Sec. 6662.

IRS Announces New Digital Form 211 for Whistleblower Submissions

IR 2025-123

The IRS announced that its Whistleblower Office has launched a new digital Form 211, Application for Award for Original Information, to make reporting tax noncompliance faster and easier. Further, the electronic option allows individuals to submit information securely online, helping reduce transcription errors while supporting IRS efforts to transition away from paper forms and improve processing efficiency.

The IRS emphasized that whistleblowers play a critical role in promoting voluntary compliance and fair enforcement of the tax laws. Information provided through the program has contributed to significant tax collections and strengthened confidence in the tax system. The Whistleblower Office will continue to accept Form 211 submissions by mail; however, the IRS encouraged use of the new digital form available on IRS.gov to streamline submissions and reduce processing delays.

TAX BRIEFS

Entity Classification

The IRS issued three rulings addressing entity classification elections and trust status under Code Sec. 7701. In two cases, entities intended to make entity classification elections—one to be treated as a disregarded entity and the other as an association taxable as a corporation—but inadvertently failed to timely file Form 8832. In both cases, the taxpayers acted reasonably and in good faith and satisfied the requirements of Reg. §§301.9100-1 and 301.9100-3; therefore, granting 120-day relief to make the elections would not prejudice the government's interests. In a third case, a liquidating trust formed under a Chapter 11 bankruptcy plan received confirmation that extensions of its term did not affect its status under Reg. §301.7701-4(d).

IRS Letter Ruling 202601006; IRS Letter Ruling 202601008; IRS Letter Ruling 202601009

Exempt Organizations

An organization was denied tax-exempt status for not operating exclusively for exempt purposes under Code Sec. 501. The organization provides members with opportunities for business networking and promotion of their businesses.

IRS Letter Ruling 202601015

An organization was not required to file Form 990, Return of Organization Exempt from Income Tax. The organization was an integrated auxiliary of a church. Accordingly, under Reg. §1.6033-2(g)(1)(i), it was exempt from the Form 990 filing requirement.

IRS Letter Ruling 202601016

Real Estate Investment Trusts

An entity that elected to be taxed as a real estate investment trust (REIT) was granted rulings that income from interest rate hedges and counteracting hedges used to manage interest rate risk on mortgage assets is excluded from gross income under Code Sec. 856(c). Therefore, treating such income as excluded under Code Sec. 856(c)(5)(G) and Code Sec. 856(c)(5)(J) was appropriate and consistent with the REIT provisions.

IRS Letter Ruling 202601013