

INTERNAL REVENUE BULLETIN



HIGHLIGHTS OF THIS ISSUE

These synopses are intended only as aids to the reader in identifying the subject matter covered. They may not be relied upon as authoritative interpretations.

ADMINISTRATIVE

Notice 2025-33, page 4.

This notice extends the transitional relief from backup withholding taxes and associated penalties in Notice 2024-56 for any broker that fails to withhold and pay the backup withholding tax for: (1) any sale of a digital asset effected by a broker during calendar year 2026; and, (2) any sale of a digital asset effected by a broker during calendar year 2027 for a customer, if the broker submits that customer's name and tax identification number (TIN) combination to the IRS's TIN Matching Program and receives a response that the name and TIN combination matches IRS records. This notice also extends the transitional relief from penalties in Notice 2024-56 for brokers who fail to withhold and pay the full backup withholding tax due, if such failure is due to a decrease in the value of withheld digital assets in a sale of digital assets in return for different digital assets effected during calendar year 2027, and the broker immediately liquidates the withheld digital assets for cash. Finally, this notice also provides new transitional relief from information reporting penalties and from backup withholding taxes and associated penalties for any sale of a digital asset effected by a broker during calendar year 2027 for certain customers that have not been previously classified by the broker as U.S. persons.

ADMINISTRATIVE

Notice 2025-35, page 8.

This notice sets forth updates on the corporate bond monthly yield curve, the corresponding spot segment rates

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for May 2025 used under § 417(e)(3)(D), the 24-month average segment rates applicable for June 2025, and the 30-year Treasury rates, as reflected by the application of § 430(h)(2)(C)(iv).

INCOME TAX

Notice 2025-32, page 1.

The notice announces the inflation adjustment factor and phase-out amount for the enhanced oil recovery credit for taxable years beginning in the 2025 calendar year. The notice concludes that because the reference price for the 2024 calendar year (\$74.48) exceeds \$28 multiplied by the inflation adjustment factor for the 2025 calendar year (\$28 multiplied by 2.1115 = \$59.12) by \$15.36, the enhanced oil recovery credit for qualified costs paid or incurred in 2025 is phased-out completely.

Notice 2025-34, page 6.

The notice provides the applicable reference price for qualified natural gas production from qualified marginal wells during taxable years beginning in calendar year 2025 for the purpose of determining the marginal well production credit under IRC § 45l. The applicable reference price for taxable years beginning in calendar year 2025 is \$1.64 per 1,000 cubic feet. The notice also provides the credit amount used for the purpose of determining the marginal well production credit. The credit amount for taxable years beginning in calendar year 2025 is \$0.79 per 1,000 cubic feet.

The IRS Mission

Provide America's taxpayers top-quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all.

Introduction

The Internal Revenue Bulletin is the authoritative instrument of the Commissioner of Internal Revenue for announcing official rulings and procedures of the Internal Revenue Service and for publishing Treasury Decisions, Executive Orders, Tax Conventions, legislation, court decisions, and other items of general interest. It is published weekly.

It is the policy of the Service to publish in the Bulletin all substantive rulings necessary to promote a uniform application of the tax laws, including all rulings that supersede, revoke, modify, or amend any of those previously published in the Bulletin. All published rulings apply retroactively unless otherwise indicated. Procedures relating solely to matters of internal management are not published; however, statements of internal practices and procedures that affect the rights and duties of taxpayers are published.

Revenue rulings represent the conclusions of the Service on the application of the law to the pivotal facts stated in the revenue ruling. In those based on positions taken in rulings to taxpayers or technical advice to Service field offices, identifying details and information of a confidential nature are deleted to prevent unwarranted invasions of privacy and to comply with statutory requirements.

Rulings and procedures reported in the Bulletin do not have the force and effect of Treasury Department Regulations, but they may be used as precedents. Unpublished rulings will not be relied on, used, or cited as precedents by Service personnel in the disposition of other cases. In applying published rulings and procedures, the effect of subsequent legislation, regulations, court decisions, rulings, and procedures must be considered, and Service personnel and others concerned are cautioned

against reaching the same conclusions in other cases unless the facts and circumstances are substantially the same.

The Bulletin is divided into four parts as follows:

Part I.—1986 Code.

This part includes rulings and decisions based on provisions of the Internal Revenue Code of 1986.

Part II.—Treaties and Tax Legislation.

This part is divided into two subparts as follows: Subpart A, Tax Conventions and Other Related Items, and Subpart B, Legislation and Related Committee Reports.

Part III.—Administrative, Procedural, and Miscellaneous.

To the extent practicable, pertinent cross references to these subjects are contained in the other Parts and Subparts. Also included in this part are Bank Secrecy Act Administrative Rulings. Bank Secrecy Act Administrative Rulings are issued by the Department of the Treasury's Office of the Assistant Secretary (Enforcement).

Part IV.—Items of General Interest.

This part includes notices of proposed rulemakings, disbarment and suspension lists, and announcements.

The last Bulletin for each month includes a cumulative index for the matters published during the preceding months. These monthly indexes are cumulated on a semiannual basis, and are published in the last Bulletin of each semiannual period.

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Part III

2025 Section 43 Inflation Adjustment

Notice 2025-32

Section 43(a) of the Internal Revenue Code provides that for purposes of section 38, the enhanced oil recovery credit for any taxable year is an amount equal to 15 percent of the taxpayer's qualified enhanced oil recovery costs for such taxable year.

Section 43(b)(1) provides that the amount of the credit determined under subsection (a) for any taxable year shall be reduced by an amount which bears the same ratio to the amount of such credit

(determined without regard to this paragraph) as — (A) the amount by which the reference price for the calendar year preceding the calendar year in which the taxable years begins exceeds \$28, bears to (B) \$6.

Section 43(b)(3)(B) requires the Secretary to publish an inflation adjustment factor. The enhanced oil recovery credit under § 43 for any taxable year is reduced if the “reference price,” determined under § 45K(d)(2)(C), for the calendar year preceding the calendar year in which the taxable year begins is greater than \$28 multiplied by the inflation adjustment factor for the current calendar year.

The term “inflation adjustment factor” means, with respect to any calendar year,

a fraction the numerator of which is the GNP implicit price deflator for the preceding calendar year and the denominator of which is the GNP implicit price deflator for 1990.

Because the reference price for the 2024 calendar year (\$74.48) exceeds \$28 multiplied by the inflation adjustment factor for the 2025 calendar year (\$28 multiplied by 2.1115 = \$59.12) by \$15.36, the enhanced oil recovery credit for qualified costs paid or incurred in 2025 is phased out completely.

Table 1 contains the GNP implicit price deflator used for the 2024 calendar year, as well as the previously published GNP implicit price deflators used for the 1991 through 2023 calendar years.

Notice 2025-32 TABLE 1
GNP IMPLICIT PRICE DEFLATORS

Calendar Year	GNP Implicit Price Deflator	
1990	112.9	(used for 1991)
1991	117.0	(used for 1992)
1992	120.9	(used for 1993)
1993	124.1	(used for 1994)
1994	126.0	(used for 1995)*
1995	107.5	(used for 1996)
1996	109.7	(used for 1997)**
1997	112.35	(used for 1998)
1998	112.64	(used for 1999)***
1999	104.59	(used for 2000)
2000	106.89	(used for 2001)
2001	109.31	(used for 2002)
2002	110.63	(used for 2003)
2003	105.67	(used for 2004)****
2004	108.23	(used for 2005)
2005	112.129	(used for 2006)
2006	116.036	(used for 2007)
2007	119.656	(used for 2008)
2008	122.407	(used for 2009)
2009	109.764	(used for 2010)*****
2010	110.654	(used for 2011)
2011	113.347	(used for 2012)*****
2012	115.387	(used for 2013)
2013	106.710	(used for 2014)*****

Notice 2025-32 TABLE 1
GNP IMPLICIT PRICE DEFLATORS

<i>Calendar Year</i>	<i>GNP Implicit Price Deflator</i>
2014	108.407 (used for 2015)*****
2015	109.868 (used for 2016)
2016	111.528 (used for 2017)
2017	113.500 (used for 2018)
2018	110.308 (used for 2019)*****
2019	112.257 (used for 2020)
2020	113.586 (used for 2021)
2021	118.586 (used for 2022)*****
2022	127.194 (used for 2023)
2023	122.179 (used for 2024)*****
2024	125.139 (used for 2025)

* Beginning in 1995, the GNP implicit price deflator was rebased relative to 1992. The 1990 GNP implicit price deflator used to compute the 1996 § 43 inflation adjustment factor is 93.6.

** Beginning in 1997, two digits follow the decimal point in the GNP implicit price deflator. The 1990 GNP price deflator used to compute the 1998 § 43 inflation adjustment factor is 93.63.

*** Beginning in 1999, the GNP implicit price deflator was rebased relative to 1996. The 1990 GNP implicit price deflator used to compute the 2000 § 43 inflation adjustment factor is 86.53.

**** Beginning in 2003, the GNP implicit price deflator was rebased, and the 1990 GNP implicit price deflator used to compute the 2004 § 43 inflation adjustment factor is 81.589.

***** Beginning in 2009, the GNP implicit price deflator was rebased, and the 1990 GNP implicit price deflator used to compute the 2010 § 43 inflation adjustment factor is 72.199.

***** Beginning in 2011, the 1990 GNP implicit price deflator used to compute the 2012 § 43 inflation adjustment factor is 72.260.

***** Beginning in 2013, the GNP implicit price deflator was rebased, and the 1990 GNP implicit price deflator used to compute the 2014 § 43 inflation adjustment factor is 66.803.

***** Beginning in 2014, the 1990 GNP implicit price deflator used to compute the 2015 § 43 inflation adjustment factor is 66.732.

***** Beginning in 2018, the 1990 GNP implicit price deflator used to compute the 2019 § 43 inflation adjustment factor is 63.637.

***** Beginning in 2021, the 1990 GNP implicit price deflator used to compute the 2022 § 43 inflation adjustment factor is 63.604.

***** Beginning in 2023, the 1990 GNP implicit price deflator used to compute the 2024 § 43 inflation adjustment factor is 59.266.

Table 2 contains the inflation adjustment factor and the phase-out amount for taxable years beginning in the 2025

calendar year as well as the previously published inflation adjustment factors and phase-out amounts for taxable years

beginning in the 1991 through 2024 calendar years.

Notice 2025-32 TABLE 2
INFLATION ADJUSTMENT FACTORS AND
PHASE-OUT AMOUNTS

<i>Calendar Year</i>	<i>Inflation Adjustment Factor</i>	<i>Phase-out Amount</i>
1991	1.0000	0
1992	1.0363	0
1993	1.0708	0
1994	1.0992	0
1995	1.1160	0
1996	1.1485	0
1997	1.1720	0
1998	1.1999	0
1999	1.2030	0
2000	1.2087	0
2001	1.2353	0
2002	1.2633	0
2003	1.2785	0
2004	1.2952	0
2005	1.3266	0
2006	1.3743	100 percent
2007	1.4222	100 percent
2008	1.4666	100 percent
2009	1.5003	100 percent
2010	1.5203	100 percent
2011	1.5326	100 percent
2012	1.5686	100 percent
2013	1.5968	100 percent
2014	1.5974	100 percent
2015	1.6245	100 percent
2016	1.6464	0
2017	1.6713	0
2018	1.7008	1.069 percent
2019	1.7334	100 percent
2020	1.7640	100 percent
2021	1.7849	0
2022	1.8607	100 percent
2023	1.9998	100 percent
2024	2.0615	100 percent
2025	2.1115	100 percent

DRAFTING INFORMATION

The principal author of this notice is

Whitney Brady of the Office of Associate Chief Counsel (Energy, Credits & Excise Tax). For further information regarding

this notice, contact Ms. Brady at (202) 317-6853 (not a toll-free number).

Extension and Modification of Transitional Relief Under Sections 3403, 3406, 6721, 6722, 6651, and 6656 with Respect to the Reporting of Information and Backup Withholding on Digital Assets by Brokers under Section 6045

Notice 2025-33

SECTION 1. PURPOSE

This notice extends for an additional year the transitional relief provided in sections 3.01, 3.02, and 3.06 of Notice 2024-56, 2024-29 I.R.B. 64 (July 15, 2024). Specifically, this notice provides transitional relief from penalties with respect to certain information reporting obligations under section 6045¹ and also provides transitional relief from the liability for the payment of backup withholding tax required to be withheld under section 3406 and its accompanying regulations as well as from penalties for brokers who fail to pay that tax with respect to certain sales of digital assets required to be reported under section 6045.

This notice also provides additional transitional relief from penalties to brokers with respect to sales of digital assets effected for certain customers that have not been previously classified by the broker as U.S. persons.

SECTION 2. BACKGROUND

.01 Section 6045 and the Final Regulations

Section 6045(a) provides that every person doing business as a broker shall make a return to the Internal Revenue Service (IRS) showing the name and address of each customer, with details regarding gross proceeds and other information as required. These rules apply when required by the Secretary of the Treasury or the Secretary's delegate (Secretary) and in accordance with regulations prescribed

by the Secretary. On July 9, 2024, the Department of the Treasury (Treasury Department) and the IRS published Treasury Decision 10000 in the *Federal Register* (89 FR 56480) (final regulations) to require brokers to file information returns on Form 1099-DA and furnish payee statements reporting gross proceeds for sales of digital assets effected on or after January 1, 2025 and, in certain circumstances, adjusted basis on sales of digital assets effected for customers for sales of digital assets effected on or after January 1, 2026.

Section 1.6045-1(g)(1) provides that no return of information is required with respect to a sale effected for a customer that is considered to be an exempt foreign person. Under sections 1.6045-1(g)(4)(ii)(B) and (g)(4)(vi)(A)(I), a broker effecting a sale of digital assets may treat a customer as an exempt foreign person if the broker receives valid documentation upon which it may rely for this purpose (for example, Form W-8BEN, *Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting (Individuals)*).

.02 Sections 6721, 6722, and 6724

Section 6721 imposes a penalty for any failure to file an information return on or before the required filing date and for any failure to include all the information required to be shown on a return or the inclusion of incorrect information. Section 6724(d)(1)(B)(iii) defines an information return for this purpose as a return required by section 6045(a) or (d).

Section 6722 imposes a penalty for any failure to furnish a payee statement on or before the required furnishing date to the person to whom such statement is required to be furnished and for any failure to include all the information required to be shown on a payee statement or the inclusion of incorrect information. Section 6724(d)(2)(H) defines a payee statement for this purpose as a statement required by section 6045(b) or (d).

Section 6724 provides that no penalty shall be imposed under sections 6721 and 6722 if the filer (payor) shows that the failure was due to reasonable cause and was not due to willful neglect.

.03 Sections 3403 and 3406

Section 3406(a)(1) requires certain payors of reportable payments to deduct and withhold a tax, equal to the fourth lowest rate of tax applicable under section 1(c) (currently 24 percent), from that payment (backup withholding tax) if the payee fails to furnish the payee's tax identification number (TIN) to the payor in the manner required or if the IRS notifies the payor that the name and TIN combination reported by the payor to the IRS for the payee is incorrect. Under section 3406(b)(3)(C), a reportable payment includes payments made by a payor that are required to be shown on an information return filed by a broker under section 6045. Pursuant to sections 31.3406(d)-1 and 31.3406(h)-3(a)(1), a payee that is not an exempt foreign person must generally furnish to the broker on a Form W-9, *Request for Taxpayer Identification Number and Certification*, the payee's TIN and certify under penalties of perjury that the furnished TIN is correct (certified TIN).

A broker required to file Form 1099-DA with respect to a payee's digital asset transaction is also required to report to the IRS the amount of backup withholding tax the broker withheld from the payee on Form 945, *Annual Return of Withheld Federal Income Tax*, and on Form 1099-DA. The broker must also furnish a statement with this information to the payee. The payee may then report this tax as an income tax payment on the payee's Federal income tax return.

The consequences to a broker for failing to backup withhold and pay the amount withheld to the IRS are significant. First, a broker subject to backup withholding under section 3406 is liable under section 3403 for the payment of the backup withholding tax required to be withheld. Additionally, a broker who fails to withhold and pay backup withholding tax when required may be subject to civil penalties under sections 6651 for a failure to pay and 6656 for a failure to deposit unless the failure is due to reasonable cause and not due to willful neglect.

.04 TIN Matching Program

Section 31.3406(j)-1(a) provides that the Commissioner of Internal Revenue

¹ Unless otherwise specified, all "section" references are to sections of the Internal Revenue Code, the Income Tax Regulations (26 CFR part 1), or to the Employment Taxes and Collection of Income Tax at Source Regulations (26 CFR part 31).

(Commissioner) has the authority to establish TIN matching programs (IRS TIN Matching Programs) and may prescribe by revenue procedure or other guidance the scope and terms and conditions for participating in such programs. Section 31.3406(j)-1(b) provides that none of the matching details received by a payor through an IRS TIN Matching Program will constitute an IRS notification regarding incorrect name and TIN combination for purposes of imposing backup withholding under section 3406(a)(1)(B). Section 31.3406(j)-1(d) provides that the IRS will not use a payor's decision not to participate in an IRS TIN Matching Program as a basis to assert that the payor lacks reasonable cause under section 6724(a) for failure to file a correct information return under section 6721 or to furnish a correct payee statement under section 6722.

Revenue Procedure 97-31, 1997-26 I.R.B. 6 (June 30, 1997), established procedures under which Federal agencies could submit payee names and TINs and the IRS would inform the agency whether the names and TINs matched the information in the IRS's database for the program. Revenue Procedure 2003-9, 2003-8 I.R.B. 516 (February 24, 2003), established an IRS TIN Matching Program that permits payors to verify name and TIN combinations provided by payees that are required to be reported on information returns and payee statements. To participate in this IRS TIN Matching Program, the payor must complete an application. Then, prior to filing an information return, the IRS TIN Matching Program participant may check the name and TIN combination furnished by the payee against the name and TIN combination contained in the IRS-maintained database. More information is available at <https://www.irs.gov/tax-professionals/taxpayer-identification-number-tin-matching>. See Publication 2108A, *On-Line Taxpayer Identification Number (TIN) Matching Program*.

.05 Notice 2024-56

Notice 2024-56 provides transitional relief for brokers who are otherwise required to file information returns under section 6045 and backup withhold under section 3406 with respect to sales of digital assets effected by the brokers for their customers. In addition to penalty relief for certain brokers that fail to file Forms

1099-DA and furnish payee statements with respect to certain sales of digital assets, Notice 2024-56 provides temporary transitional relief from the obligation to backup withhold under section 3406 and pay such amounts to the IRS under section 3403 with respect to certain sales of digital assets. Specifically, section 3.01 of Notice 2024-56 provides that backup withholding will not be required on sales of digital assets effected by the broker on behalf of customers during calendar year 2025.

In addition, for digital asset sales effected by the broker before January 1, 2027, section 3.02 of Notice 2024-56 permits brokers to use alternative procedures to obtain TINs from customers that opened accounts with the broker prior to January 1, 2026 (preexisting customers) if the broker submits the payee's name and TIN combination to the IRS TIN Matching Program and receives a response that the name and TIN combination furnished by the payee matches the name and TIN combination for that payee in IRS records.

Additionally, for sales of digital assets in exchange for different digital assets effected on behalf of customers before January 1, 2027, section 3.06 of Notice 2024-56 limits the amount of backup withholding tax that brokers must withhold and pay as a tax to the IRS to the amount that the broker receives upon the immediate liquidation of 24 percent of the customer's received digital assets, notwithstanding that such amount may be less than the value of 24 percent of the customer's received digital assets determined at the time of the transaction giving rise to the backup withholding obligation.

Finally, section 3.06 of Notice 2024-56 also provides penalty relief from information reporting penalties and relief from penalties under sections 6651 and 6656 with respect to any decrease in the value of received digital assets between the time of the transaction giving rise to the backup withholding obligation and the time the broker liquidates 24 percent of a customer's received digital assets.

.06 Treatment of Certain Preexisting Customers as Exempt Foreign Persons

The relief provided in section 3.02 of Notice 2024-56 applies only to customers with certified TINs, which are generally U.S. persons. To provide additional time

for brokers to collect the necessary documentation to treat preexisting customers as exempt foreign persons with respect to digital asset sales effected prior to January 1, 2027, section 1.6045-1(g)(4)(vi)(F) permits a broker to treat a customer with an account established prior to January 1, 2026, as an exempt foreign person if the customer has not been previously classified as a U.S. person by the broker and the information the broker has for the customer in its files includes a residence address that is not a U.S. address.

SECTION 3. DISCUSSION

.01 Sales Effected in Calendar Year 2026

Digital asset brokers are in the process of building and implementing systems and procedures that will enable them to comply with the section 6045 information reporting obligations for digital asset sales set forth in the final regulations. These brokers are also building and implementing systems and procedures that will enable them to comply with associated backup withholding tax obligations for customers who do not supply certified TINs or otherwise do not provide documentation establishing they are exempt from backup withholding. The Treasury Department and the IRS understand that, notwithstanding the transitional relief provided in Notice 2024-56, digital asset brokers may need additional time to build and implement backup withholding systems prior to the application of the backup withholding rules for transactions on or after January 1, 2026, as required after the application of Notice 2024-56. Accordingly, the Treasury Department and the IRS are extending for one additional year the backup withholding relief provided by section 3.01 of Notice 2024-56 with respect to sales of digital assets. Therefore, backup withholding tax obligations under sections 3406 and 3403 will not be required on any digital asset sale effected by a broker during calendar year 2025 or calendar year 2026.

.02 TIN Collection for Sales Effected in Calendar Year 2027

The Treasury Department and the IRS are aware that some brokers may need additional time to obtain certified TINs from preexisting customers. Accordingly,

the Treasury Department and the IRS are extending the relief provided by section 3.02 of Notice 2024-56 to permit brokers to rely on uncertified TINs of payees that are preexisting customers if the broker, prior to effecting the digital asset sale transaction for the customer, submits the payee's name and TIN combination to the IRS TIN Matching Program and receives a response that the submitted name and TIN combination matches the name and TIN combination for that payee in the IRS records. This alternative TIN collection relief is permitted for digital asset sales effected in calendar year 2027 on behalf of payees that are preexisting customers.

.03 Treatment of Certain Preexisting Customers as Exempt Foreign Persons for Sales Effected in Calendar Year 2027

The Treasury Department and the IRS are aware that some brokers may need additional time beyond that provided in section 1.6045-1(g)(4)(vi)(F) to obtain documentation necessary to treat customers with an account established prior to January 1, 2026, as exempt foreign persons. Accordingly, to provide this additional time, the IRS will not impose penalties under sections 6721 and 6722 on brokers that fail to file information returns and furnish payee statements with respect to sales of digital assets effected during calendar year 2027 for any customer with an account established prior to January 1, 2026, if the customer has not been previously classified as a U.S. person by the broker and the information the broker has in its files for the customer includes a residence address that is not a U.S. address. Additionally, backup withholding under section 3406 will not be required on any digital asset sale effected by brokers during calendar year 2027 for these customers. Finally, the IRS will not impose penalties on brokers that would otherwise be required to file Form 945 with respect to the backup withholding tax due with respect to digital asset sales effected during calendar year 2027 for these customers.

.04 Amount of Backup Withholding for Sales Effected in Calendar Year 2027

In the case of a sale of a digital asset for different digital assets other than specified nonfungible tokens (specified NFTs), as defined in section 1.6045-1(d)(10)(iv)(A) through (C), brokers may need addi-

tional time to implement new backup withholding procedures because the value of the digital assets received in such sales can change between the time of the transaction and the time the received digital assets are liquidated into U.S. dollars for depositing with the IRS. Accordingly, to provide brokers additional time to develop appropriate procedures, the Treasury Department and the IRS are extending the relief provided by section 3.06 of Notice 2024-56 to limit the amount that the broker must pay as backup withholding tax for reportable digital asset sales effected in calendar year 2027 to the amount that the broker receives upon the immediate liquidation of 24 percent of the customer's received digital assets, notwithstanding that such amount may be less than 24 percent of customer's received digital assets at the time of the transaction giving rise to the backup withholding obligation. This relief also includes the penalty relief from information reporting penalties and relief from penalties under sections 6651 and 6656 with respect to any decrease in the value of received digital assets between the time of the transaction giving rise to the backup withholding obligation and the time the broker liquidates 24 percent of a customer's received digital assets. Finally, the IRS will not impose penalties on brokers that are required to file Form 945 with respect to the backup withholding tax due as described in this section 3.04 with respect to digital asset sales, provided the broker pays and reports the amount of backup withholding tax that is withheld and deposited with the IRS in accordance with this section 3.04.

SECTION 4. EFFECTIVE DATE

This notice is effective for digital asset sales effected on or after January 1, 2025.

SECTION 5. EFFECT ON OTHER DOCUMENTS

Notice 2024-56 is modified.

SECTION 6. DRAFTING INFORMATION

The principal author of this notice is the Office of the Associate Chief Counsel (Procedure and Administration). For

further information regarding this notice, please call (202) 317-5436 (not a toll-free number).

Reference Price for Section 45I Credit for Production of Natural Gas from Marginal Wells During Taxable Years Beginning in Calendar Year 2025

Notice 2025-34

SECTION 1. PURPOSE

This notice provides the applicable reference price for qualified natural gas production from qualified marginal wells during taxable years beginning in calendar year 2025 for the purpose of determining the marginal well production credit (MWC) under § 45I of the Internal Revenue Code. The applicable reference price for taxable years beginning in calendar year 2025 is \$1.64 per 1,000 cubic feet (Mcf).

This notice also provides the credit amount used for the purpose of determining the MWC for taxable years beginning in calendar year 2025. The credit amount is determined using the 2025 inflation adjustment factor of 1.5821 and the applicable reference price of \$1.64 per Mcf. The credit amount for taxable years beginning in calendar year 2025 is \$0.79 per Mcf.

SECTION 2. BACKGROUND

Section 45I(a), as it relates to qualified natural gas production, provides that, for purposes of § 38, the MWC for any taxable year is an amount equal to the product of (1) the credit amount and (2) the qualified natural gas production that is attributable to the taxpayer.

Section 45I(c)(1) provides that "qualified natural gas production" means domestic natural gas produced from a qualified marginal well. Section 45I(c)(3)(A) provides that a qualified marginal well is a domestic well (i) the production from which during the taxable year is treated as

marginal production under § 613A(c)(6), or (ii) which, during the taxable year (I) has average production of not more than 25 barrel-of-oil equivalents per day, and (II) produces water at a rate not less than 95 percent of total well effluent.

Section 613A(c)(6)(D) and (E) provide that “marginal production” means domestic natural gas produced during any taxable year from a property which is a stripper well property for the calendar year in which the taxable year begins. A “stripper well property” is, with respect to any calendar year, any property producing not more than 15 barrel equivalents per day, determined by dividing the average daily production of domestic crude oil and domestic natural gas from producing wells on the property for such calendar year by the number of such wells.

Section 45I(c)(2)(A) provides that generally only the first 1,095 barrels or barrel-of-oil equivalents (as defined in § 45K(d)(5)) produced during the taxable year qualify for the MWC. This limitation is proportionately reduced in the case of a short taxable year or in the case of a well that is not capable of production each day of a taxable year. *See* § 45I(c)(2)(B). The number of wells on which a taxpayer may claim the MWC is not limited.

Section 45I(d)(2) provides that to claim the credit a taxpayer must hold an operating interest in the qualified marginal well producing the natural gas to which the credit relates. Under § 45I(d)(1) if a well is owned by more than one owner and the natural gas production exceeds the limitation under § 45I(c)(2), the qualifying natural gas production attributable to the taxpayer is determined on the basis of the ratio which the taxpayer’s revenue interest in the production bears to the aggregate of the revenue interests of all operating interest owners in the production. Finally, § 45I(d)(3) provides that the MWC is not allowable if the taxpayer is also eligible to claim the § 45K nonconventional sources credit for the taxable year, unless the taxpayer elects not to claim the credit under § 45K for the well.

For purposes of § 45I(a)(1), the credit amount is 50 cents (adjusted for inflation) per Mcf of qualified natural gas production (tentative credit amount). *See* § 45I(b)(1)(B) and (b)(2)(B).

Section 45I(b)(2)(A) and (B) provide that the tentative credit amount (adjusted for inflation) is reduced (but not below zero) to the extent that the applicable reference price exceeds \$1.67 (adjusted for inflation). More specifically, § 45I(b)(2)(A) provides that the tentative credit amount (adjusted for inflation) is reduced by an amount which bears the same ratio to the tentative credit amount (adjusted for inflation) as the excess (if any) of the applicable reference price over \$1.67 (adjusted for inflation), bears to \$0.33 (adjusted for inflation). As a result, the MWC is not available if the applicable reference price for qualified natural gas production is \$2.00 (adjusted for inflation) or more.

Section 45I(b)(2)(A) also provides that the applicable reference price for a taxable year is the reference price for the calendar year preceding the calendar year in which the taxable year begins. Section 45I(b)(2)(C)(ii) provides that the term “reference price” means, with respect to any calendar year, in the case of qualified natural gas production, the Secretary’s estimate of the annual average wellhead price per Mcf for all domestic natural gas.

Section 45I(b)(2)(B) provides that in the case of any taxable year beginning in a calendar year after 2005, each of the dollar amounts contained in § 45I(b)(2)(A) will be increased to an amount equal to such dollar amount multiplied by the inflation adjustment factor for such calendar year (determined under § 43(b)(3)(B) by substituting “2004” for “1990”).

SECTION 3. INFLATION ADJUSTMENT FACTOR AND REFERENCE PRICE

.1 *Inflation Adjustment.* The inflation adjustment factor under § 45I(b)(2)(B) for calendar year 2025 is 1.5821.

.2 *Reference Price.* The Secretary’s estimate of the calendar year 2024 annual average wellhead price per Mcf for all domestic natural gas under § 45I(b)(2)(C)(ii) was calculated by applying the Producer Price Index commodity index for “Natural Gas from the Wellhead” (WPU053101051)¹ published by the Bureau of Labor Statistics (BLS) as part of its Producer Price Index program, to the 2023 annual average wellhead price (\$2.04) published in Notice 2024-52, 2024-27 I.R.B. 2. The annual Producer Price Index commodity index for natural gas published by the BLS was 63.423 in 2023 and 50.869 in 2024, which implies a ratio of 2024 to 2023 average wellhead prices of 0.802 (50.869/63.423). Therefore, the Secretary’s estimate of the calendar year 2024 annual average wellhead price per Mcf for all domestic natural gas is \$1.64 per Mcf (0.802 × \$2.04 per Mcf). The one cent difference is due to rounding.

For years after 2024, the Secretary intends to continue calculating the reference price by application of the Producer Price Index commodity index for “Natural Gas from the Wellhead” (WPU053101051) published by the BLS to the previous year’s reference price.

SECTION 4. CALCULATION OF CREDIT AMOUNT

Under § 45I(b)(1)(B) and (2)(B), the tentative credit amount used to calculate the MWC for taxable years beginning in calendar year 2025 is \$0.79 per Mcf (\$0.50 × 1.5821 inflation adjustment factor).

Pursuant to § 45I(b)(2)(A), the tentative credit amount is reduced (but not below zero) by an amount (the Reduction Amount) which bears the same ratio to such amount as (i) the excess (if any) of the applicable reference price over \$2.64 (\$1.67 × 1.5821 inflation adjustment factor), bears to (ii) \$0.52 (\$0.33 × 1.5821 inflation adjustment factor). The Reduction Amount (as adjusted for inflation) is computed as follows:

$$\frac{\text{Reduction Amount}}{\text{Tentative Credit Amount}} = \frac{\text{Applicable Reference Price} - \$2.64}{\$0.52}$$

$$\frac{\text{Reduction Amount}}{\$0.79} = \frac{\$1.64 - \$2.64}{\$0.52}$$

¹<https://data.bls.gov/cgi-bin/srgate>. The BLS publishes indexes and not actual or average prices.

The Reduction Amount is \$ -1.52 $(\$1.64 - \$2.64) \div \$0.52 \times \0.79 , which is less than zero, therefore, the tentative credit amount (\$0.79) is not reduced.

SECTION 5. EFFECTIVE DATE

This notice is effective for qualified natural gas production during taxable years beginning in calendar year 2025.

SECTION 6. DRAFTING AND CONTACT INFORMATION

The principal authors of this notice are Boris Kukso and David Villagrana of the Office of Associate Chief Counsel (Energy, Credits, and Excise Tax). For further information regarding this notice contact Mr. Kukso or Mr. Villagrana at (202) 317-6853 (not a toll-free number).

Update for Weighted Average Interest Rates, Yield Curves, and Segment Rates

Notice 2025-35

This notice provides guidance on the corporate bond monthly yield curve, the corresponding spot segment rates used

under § 417(e)(3), and the 24-month average segment rates under § 430(h)(2) of the Internal Revenue Code. In addition, this notice provides guidance as to the interest rate on 30-year Treasury securities under § 417(e)(3)(A)(ii)(II) as in effect for plan years beginning before 2008 and the 30-year Treasury weighted average rate under § 431(c)(6)(E)(ii)(I).

YIELD CURVE AND SEGMENT RATES

Section 430 specifies the minimum funding requirements that apply to single-employer plans (except for CSEC plans under § 414(y)) pursuant to § 412. Section 430(h)(2) specifies the interest rates that must be used to determine a plan's target normal cost and funding target. Under this provision, present value is generally determined using three 24-month average interest rates ("segment rates"), each of which applies to cash flows during specified periods. To the extent provided under § 430(h)(2)(C)(iv), these segment rates are adjusted by the applicable percentage of the 25-year average segment rates for the period ending September 30 of the year preceding the calendar year in which the plan year begins.¹ However, an election may be made under § 430(h)(2)(D)(ii) to use the monthly yield curve in place of the segment rates.

Section 1.430(h)(2)-1(d) provides rules for determining the monthly cor-

porate bond yield curve,² and § 1.430(h)(2)-1(c) provides rules for determining the 24-month average corporate bond segment rates used to compute the target normal cost and the funding target. Consistent with the methodology specified in § 1.430(h)(2)-1(d), the monthly corporate bond yield curve derived from May 2025 data is in Table 2025-5 at the end of this notice. The spot first, second, and third segment rates for the month of May 2025 are, respectively, 4.50, 5.57, and 6.23.

The 24-month average segment rates determined under § 430(h)(2)(C)(i) through (iii) must be adjusted pursuant to § 430(h)(2)(C)(iv) to be within the applicable minimum and maximum percentages of the corresponding 25-year average segment rates. Those percentages are 95% and 105% for plan years beginning in 2024 and 2025. For this purpose, any 25-year average segment rate that is less than 5% is deemed to be 5%. The 25-year average segment rates for plan years beginning in 2024 and 2025 were published in Notice 2023-66, 2023-40 I.R.B. 992 and Notice 2024-67, 2024-41 I.R.B. 726, respectively.

24-MONTH AVERAGE CORPORATE BOND SEGMENT RATES

The three 24-month average corporate bond segment rates applicable for June 2025 without adjustment for the 25-year average segment rate limits are as follows:

24-Month Average Segment Rates Without 25-Year Average Adjustment			
Applicable Month	First Segment	Second Segment	Third Segment
June 2025	4.94	5.35	5.58

The adjusted 24-month average segment rates set forth in the chart below reflect § 430(h)(2)(C)(iv) of the Code. The

24-month averages applicable for June 2025, adjusted to be within the applicable minimum and maximum percentages of

the corresponding 25-year average segment rates in accordance with § 430(h)(2)(C)(iv) of the Code, are as follows:

Adjusted 24-Month Average Segment Rates				
For Plan Years Beginning In	Applicable Month	First Segment	Second Segment	Third Segment
2024	June 2025	4.94	5.35	5.59
2025	June 2025	4.94	5.31	5.58

¹Pursuant to § 433(h)(3)(A), the third segment rate determined under § 430(h)(2)(C) is used to determine the current liability of a CSEC plan (which is used to calculate the minimum amount of the full funding limitation under § 433(c)(7)(C)).

²For months before February 2024, the monthly corporate bond yield curve was determined in accordance with Notice 2007-81, 2007-44 I.R.B. 899. Section 1.430(h)(2)-1(d) generally adopts the methodology for determining the monthly corporate bond yield curve under Notice 2007-81 but includes two enhancements to take into account subsequent changes in the bond market. Those enhancements are described in the preamble to TD 9986 (89 FR 2127).

30-YEAR TREASURY SECURITIES INTEREST RATES

Section 431 specifies the minimum funding requirements that apply to multi-employer plans pursuant to § 412. Section 431(c)(6)(B) specifies a minimum amount for the full-funding limitation described in § 431(c)(6)(A), based on the plan's current liability. Section 431(c)(6)(E)(ii)(I) provides that the interest rate used to calculate current liability for this purpose must

be no more than 5 percent above and no more than 10 percent below the weighted average of the rates of interest on 30-year Treasury securities during the four-year period ending on the last day before the beginning of the plan year. Notice 88-73, 1988-2 C.B. 383, provides guidelines for determining the weighted average interest rate. The rate of interest on 30-year Treasury securities for May 2025 is 4.91 percent. The Service determined this rate as the average of the daily determinations of

yield on the 30-year Treasury bond maturing in February 2055 determined each day through May 7, 2025 and the yield on the 30-year Treasury bond maturing in May 2055 determined each day for the balance of the month. For plan years beginning in June 2025, the weighted average of the rates of interest on 30-year Treasury securities and the permissible range of rates used to calculate current liability are as follows:

For Plan Years Beginning In	<i>Treasury Weighted Average Rates</i>		Permissible Range 90% to 105%
	30-Year Treasury Weighted Average		
June 2025	4.07		3.66 to 4.27

MINIMUM PRESENT VALUE SEGMENT RATES

In general, the applicable interest rates

under § 417(e)(3)(D) are segment rates computed without regard to a 24-month average. Section 1.417(e)-1(d)(3) provides guidelines for determining the min-

imum present value segment rates. Pursuant to that section, the minimum present value segment rates determined for May 2025 are as follows:

	<i>Minimum Present Value Segment Rates</i>		
	First Segment	Second Segment	Third Segment
May 2025	4.50	5.57	6.23

DRAFTING INFORMATION

The principal author of this notice is Tom Morgan of the Office of Associate

Chief Counsel (Employee Benefits, Exempt Organizations, and Employment Taxes). However, other personnel from the IRS participated in the development

of this guidance. For further information regarding this notice, contact Mr. Morgan at 202-317-6700 or Tony Montanaro at 626-927-1475 (not toll-free numbers).

Table 2025-5
 Monthly Yield Curve for May 2025
 Derived from May 2025 Data

Maturity	Yield								
0.5	4.51	20.5	6.07	40.5	6.24	60.5	6.34	80.5	6.39
1.0	4.46	21.0	6.08	41.0	6.25	61.0	6.34	81.0	6.39
1.5	4.42	21.5	6.09	41.5	6.25	61.5	6.35	81.5	6.39
2.0	4.41	22.0	6.09	42.0	6.25	62.0	6.35	82.0	6.39
2.5	4.42	22.5	6.10	42.5	6.26	62.5	6.35	82.5	6.40
3.0	4.45	23.0	6.10	43.0	6.26	63.0	6.35	83.0	6.40
3.5	4.49	23.5	6.11	43.5	6.26	63.5	6.35	83.5	6.40
4.0	4.55	24.0	6.11	44.0	6.27	64.0	6.35	84.0	6.40
4.5	4.61	24.5	6.11	44.5	6.27	64.5	6.35	84.5	6.40
5.0	4.68	25.0	6.11	45.0	6.27	65.0	6.36	85.0	6.40
5.5	4.75	25.5	6.11	45.5	6.28	65.5	6.36	85.5	6.40
6.0	4.82	26.0	6.12	46.0	6.28	66.0	6.36	86.0	6.40
6.5	4.90	26.5	6.12	46.5	6.28	66.5	6.36	86.5	6.40
7.0	4.98	27.0	6.12	47.0	6.29	67.0	6.36	87.0	6.40
7.5	5.05	27.5	6.12	47.5	6.29	67.5	6.36	87.5	6.40
8.0	5.13	28.0	6.12	48.0	6.29	68.0	6.36	88.0	6.40
8.5	5.20	28.5	6.13	48.5	6.29	68.5	6.37	88.5	6.41
9.0	5.26	29.0	6.13	49.0	6.30	69.0	6.37	89.0	6.41
9.5	5.33	29.5	6.13	49.5	6.30	69.5	6.37	89.5	6.41
10.0	5.39	30.0	6.14	50.0	6.30	70.0	6.37	90.0	6.41
10.5	5.45	30.5	6.15	50.5	6.30	70.5	6.37	90.5	6.41
11.0	5.50	31.0	6.15	51.0	6.31	71.0	6.37	91.0	6.41
11.5	5.55	31.5	6.16	51.5	6.31	71.5	6.37	91.5	6.41
12.0	5.60	32.0	6.17	52.0	6.31	72.0	6.37	92.0	6.41
12.5	5.65	32.5	6.17	52.5	6.31	72.5	6.38	92.5	6.41
13.0	5.69	33.0	6.18	53.0	6.31	73.0	6.38	93.0	6.41
13.5	5.73	33.5	6.18	53.5	6.32	73.5	6.38	93.5	6.41
14.0	5.77	34.0	6.19	54.0	6.32	74.0	6.38	94.0	6.41
14.5	5.81	34.5	6.19	54.5	6.32	74.5	6.38	94.5	6.41
15.0	5.84	35.0	6.20	55.0	6.32	75.0	6.38	95.0	6.41
15.5	5.87	35.5	6.20	55.5	6.32	75.5	6.38	95.5	6.42
16.0	5.90	36.0	6.21	56.0	6.33	76.0	6.38	96.0	6.42
16.5	5.93	36.5	6.21	56.5	6.33	76.5	6.38	96.5	6.42
17.0	5.95	37.0	6.22	57.0	6.33	77.0	6.38	97.0	6.42
17.5	5.97	37.5	6.22	57.5	6.33	77.5	6.39	97.5	6.42
18.0	5.99	38.0	6.22	58.0	6.33	78.0	6.39	98.0	6.42
18.5	6.01	38.5	6.23	58.5	6.34	78.5	6.39	98.5	6.42
19.0	6.03	39.0	6.23	59.0	6.34	79.0	6.39	99.0	6.42
19.5	6.05	39.5	6.24	59.5	6.34	79.5	6.39	99.5	6.42
20.0	6.06	40.0	6.24	60.0	6.34	80.0	6.39	100.0	6.42

Definition of Terms

Revenue rulings and revenue procedures (hereinafter referred to as “rulings”) that have an effect on previous rulings use the following defined terms to describe the effect:

Amplified describes a situation where no change is being made in a prior published position, but the prior position is being extended to apply to a variation of the fact situation set forth therein. Thus, if an earlier ruling held that a principle applied to A, and the new ruling holds that the same principle also applies to B, the earlier ruling is amplified. (Compare with *modified*, below).

Clarified is used in those instances where the language in a prior ruling is being made clear because the language has caused, or may cause, some confusion. It is not used where a position in a prior ruling is being changed.

Distinguished describes a situation where a ruling mentions a previously published ruling and points out an essential difference between them.

Modified is used where the substance of a previously published position is being changed. Thus, if a prior ruling held that a principle applied to A but not to B, and the

new ruling holds that it applies to both A and B, the prior ruling is modified because it corrects a published position. (Compare with *amplified* and *clarified*, above).

Obsoleted describes a previously published ruling that is not considered determinative with respect to future transactions. This term is most commonly used in a ruling that lists previously published rulings that are obsoleted because of changes in laws or regulations. A ruling may also be obsoleted because the substance has been included in regulations subsequently adopted.

Revoked describes situations where the position in the previously published ruling is not correct and the correct position is being stated in a new ruling.

Superseded describes a situation where the new ruling does nothing more than restate the substance and situation of a previously published ruling (or rulings). Thus, the term is used to republish under the 1986 Code and regulations the same position published under the 1939 Code and regulations. The term is also used when it is desired to republish in a single ruling a series of situations, names, etc., that were previously published over a period of time in separate rulings. If the

new ruling does more than restate the substance of a prior ruling, a combination of terms is used. For example, *modified* and *superseded* describes a situation where the substance of a previously published ruling is being changed in part and is continued without change in part and it is desired to restate the valid portion of the previously published ruling in a new ruling that is self contained. In this case, the previously published ruling is first modified and then, as modified, is superseded.

Supplemented is used in situations in which a list, such as a list of the names of countries, is published in a ruling and that list is expanded by adding further names in subsequent rulings. After the original ruling has been supplemented several times, a new ruling may be published that includes the list in the original ruling and the additions, and supersedes all prior rulings in the series.

Suspended is used in rare situations to show that the previous published rulings will not be applied pending some future action such as the issuance of new or amended regulations, the outcome of cases in litigation, or the outcome of a Service study.

Abbreviations

The following abbreviations in current use and formerly used will appear in material published in the Bulletin.

A—Individual.
Acq.—Acquiescence.
B—Individual.
BE—Beneficiary.
BK—Bank.
B.T.A.—Board of Tax Appeals.
C—Individual.
C.B.—Cumulative Bulletin.
CFR—Code of Federal Regulations.
CI—City.
COOP—Cooperative.
Ct.D.—Court Decision.
CY—County.
D—Decedent.
DC—Dummy Corporation.
DE—Donee.
Del. Order—Delegation Order.
DISC—Domestic International Sales Corporation.
DR—Donor.
E—Estate.
EE—Employee.
E.O.—Executive Order.

ER—Employer.
ERISA—Employee Retirement Income Security Act.
EX—Executor.
F—Fiduciary.
FC—Foreign Country.
FICA—Federal Insurance Contributions Act.
FISC—Foreign International Sales Company.
FPH—Foreign Personal Holding Company.
F.R.—Federal Register.
FUTA—Federal Unemployment Tax Act.
FX—Foreign corporation.
G.C.M.—Chief Counsel’s Memorandum.
GE—Grantee.
GP—General Partner.
GR—Grantor.
IC—Insurance Company.
I.R.B.—Internal Revenue Bulletin.
LE—Lessee.
LP—Limited Partner.
LR—Lessor.
M—Minor.
Nonacq.—Nonacquiescence.
O—Organization.
P—Parent Corporation.
PHC—Personal Holding Company.
PO—Possession of the U.S.
PR—Partner.

PRS—Partnership.
PTE—Prohibited Transaction Exemption.
Pub. L.—Public Law.
REIT—Real Estate Investment Trust.
Rev. Proc.—Revenue Procedure.
Rev. Rul.—Revenue Ruling.
S—Subsidiary.
S.P.R.—Statement of Procedural Rules.
Stat.—Statutes at Large.
T—Target Corporation.
T.C.—Tax Court.
T.D.—Treasury Decision.
TFE—Transferee.
TFR—Transferor.
T.I.R.—Technical Information Release.
TP—Taxpayer.
TR—Trust.
TT—Trustee.
U.S.C.—United States Code.
X—Corporation.
Y—Corporation.
Z—Corporation.

Numerical Finding List¹

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2025-35, 2025-27 I.R.B. *8*

¹A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2025-27 through 2025-52 is in Internal Revenue Bulletin 2025-52, dated December 22, 2025.

Finding List of Current Actions on Previously Published Items¹

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¹ A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2025–27 through 2025–52 is in Internal Revenue Bulletin 2025–52, dated December 22, 2025.

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We Welcome Comments About the Internal Revenue Bulletin

If you have comments concerning the format or production of the Internal Revenue Bulletin or suggestions for improving it, we would be pleased to hear from you. You can email us your suggestions or comments through the IRS Internet Home Page (www.irs.gov) or write to the Internal Revenue Service, Publishing Division, IRB Publishing Program Desk, 1111 Constitution Ave. NW, IR-6230 Washington, DC 20224.