INTERNAL REVENUE
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IRS

HIGHLIGHTS OF THIS ISSUE

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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

Announcement 2025-29, page 785.

The Office of Professional Responsibility (OPR) announces recent disciplinary sanctions imposed on attorneys, certified public accountants, enrolled agents, enrolled actuaries, enrolled retirement plan agents, and appraisers. The OPR also announces when certain unenrolled, unlicensed tax return preparers (individuals who are not enrolled to practice before the Internal Revenue Service (IRS) and are not licensed as attorneys or certified public accountants) have been disciplined. Licensed or enrolled practitioners are subject to the regulations governing practice before the IRS, which are set out in Title 31, Code of Federal Regulations, Subtitle A, Part 10, and which are released as Treasury Department Circular No. 230. The regulations prescribe the duties and restrictions relating to such practice and prescribe the disciplinary sanctions for violating the regulations. Unenrolled/unlicensed return preparers who choose to participate in the IRS's voluntary Annual Filing Season Program (AFSP) are subject to the guidance in Revenue Procedure 2014-42, which governs a preparer's eligibility to represent taxpayers before the IRS in examinations of tax returns the preparer both prepared for the taxpayer and signed as the preparer. Additionally, unenrolled/unlicensed return preparers who participate in the AFSP agree to be subject to the duties and restrictions in Circular 230, including the restrictions on incompetence or disreputable conduct.

EMPLOYMENT TAX

Notice 2025-69, page 766.

Notice 2025-69 provides guidance to individual taxpayers who are eligible for the federal income tax deductions for qualified tips or qualified overtime compensation for tax year 2025. These new deductions were added by Public Law 119-21, 139 Stat. 72 (July 4, 2025), commonly known as the One, Big, Beautiful Bill Act (OBBBA). As part of the phased implementation of the OBBBA, there will be no changes to the 2025 Form W-2, Form 1099-NEC, Form 1099-MISC, or Form 1099-K to account for the new reporting requirements in the OBBBA. As a result, employers and other payors will not be required to separately account for cash tips or qualified overtime compensation on those forms furnished to individuals for 2025. In the absence of this information reporting, this Notice provides guidance for individual taxpayers on how to satisfy the requirements for the deductions, including how to determine the amount of the qualified tips or qualified overtime compensation, for tax year 2025. This Notice also provides transition relief for taxpayers regarding the requirement that qualified tips must not be received in the course of a trade or business that is a specified service trade or business. This Notice does not affect any rights or responsibilities regarding tips or overtime compensation under the Fair Labor Standards Act of 1938, as amended.

INCOME TAX

Announcement 2025-22, page 783.

Section 48C(e)(1) directs the Secretary to establish the § 48C(e) program to consider and award certifications for qualified investments eligible for § 48C credits to qualifying advanced energy project sponsors. Section 48C(e)(7) provides that upon making a certification under § 48C(e), the Secretary is required to disclose publicly the identity of the applicant and the amount of the § 48C credit certified with respect to such applicant. Notice 2023-18 established the program under § 48C(e)(1). The Treasury Department and the IRS provided two allocation rounds. For Round 1, the IRS allocated approximately $4 billion. Round 1 allocation notification letters were issued on March 29, 2024. Announcement 2025-22 provides the identity of each taxpayer and the amount of the § 48C credits allocated to each taxpayer with respect to projects that have been allocated a § 48C

Finding Lists begin on page ii.

credit and for which a certification was issued during the period beginning on March 29, 2024, and September 30, 2025. The announcement also provides that the IRS will publish additional such announcements annually for certifications issued during each successive 12-month period beginning on October 1, 2025.

Announcement 2025-23, page 784.
Section 48C(e)(1) directs the Secretary to establish the § 48C(e) program to consider and award certifications for qualified investments eligible for § 48C credits to qualifying advanced energy project sponsors. Section 48C(e)(7) provides that upon making a certification under § 48C(e), the Secretary is required to disclose publicly the identity of the applicant and the amount of the § 48C credit certified with respect to such applicant. Notice 2023-18 established the program under § 48C(e)(1). The Treasury Department and the IRS provided two allocation rounds. For Round 2, the IRS allocated approximately $6 billion. Round 2 allocation notification letters were issued on January 10, 2025. Announcement 2025-23 provides the identity of each taxpayer and the amount of the § 48C credits allocated to each taxpayer with respect to projects that have been allocated a § 48C credit and for which a certification was issued during the period beginning on January 10, 2025, and September 30, 2025. The announcement also provides that the IRS will publish additional such announcements annually for certifications issued during each successive 12-month period beginning on October 1, 2025.

Notice 2025-70, page 773.
In anticipation of issuing proposed regulations to implement new § 25F of the Internal Revenue Code, as added by § 70411 of Public Law 119-21, 139 Stat. 72 (July 4, 2025), commonly known as the One, Big, Beautiful Bill Act (OBBBA), this notice requests comments regarding issues arising under § 25F that should be addressed in guidance. This notice emphasizes issues on which guidance is most quickly needed, including issues relating to the annual certification by a State, as well as scholarship granting organization requirements.

Notice 2025-71, page 779.
This notice provides interim rules under section 139L, which was added to the Code by Public Law 119-21, 139 Stat. 72 (July 4, 2025), commonly known as the One, Big, Beautiful Bill Act (OBBBA). This notice clarifies the partial exclusion from gross income of interest received by qualified lenders on loans secured by rural or agricultural property. The interim guidance defines key terms from section 139L, establishes standards for determining whether a loan is secured by rural or agricultural property, and provides rules regarding refinancings.

Rev. Rul. 2025-24, page 764.
Federal rates; adjusted federal rates; adjusted federal long-term rate, and the long-term tax exempt rate. For purposes of sections 382, 1274, 1288, 7872 and other sections of the Code, tables set forth the rates for December 2025.

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.

Part I

Section 1274.—Determination of Issue Price in the Case of Certain Debt Instruments Issued for Property

(Also Sections 42, 280G, 382, 467, 468, 482, 483, 1288, 7520, 7872.)

Rev. Rul. 2025-24

This revenue ruling provides various prescribed rates for federal income tax purposes for December 2025 (the current month). Table 1 contains the short-term, mid-term, and long-term applicable federal rates (AFR) for the current month for purposes of section 1274(d) of the Internal Revenue Code. Table 2 contains the short-term, mid-term, and long-term adjusted applicable federal rates (adjusted AFR) for the current month for purposes of section 1288(b). Table 3 sets forth the adjusted federal long-term rate and the long-term tax-exempt rate described in section 382(f). Table 4 contains the appropriate percentages for determining the low-income housing credit described in section 42(b)(1) for buildings placed in service during the current month. However, under section 42(b)(2), the applicable percentage for non-federally subsidized new buildings placed in service after July 30, 2008, shall not be less than 9%. Finally, Table 5 contains the federal rate for determining the present value of an annuity, an interest for life or for a term of years, or a remainder or a reversionary interest for purposes of section 7520.

REV. RUL. 2025-24 TABLE 1
Applicable Federal Rates (AFR) for December 2025
Period for Compounding

	Annual	*Semiannual*	*Quarterly*	*Monthly*
		Short-term		
AFR	3.66%	3.63%	3.61%	3.60%
110% AFR	4.03%	3.99%	3.97%	3.96%
120% AFR	4.41%	4.36%	4.34%	4.32%
130% AFR	4.78%	4.72%	4.69%	4.67%
		Mid-term		
AFR	3.79%	3.75%	3.73%	3.72%
110% AFR	4.17%	4.13%	4.11%	4.09%
120% AFR	4.55%	4.50%	4.47%	4.46%
130% AFR	4.94%	4.88%	4.85%	4.83%
150% AFR	5.71%	5.63%	5.59%	5.57%
175% AFR	6.67%	6.56%	6.51%	6.47%
		Long-term		
AFR	4.55%	4.50%	4.47%	4.46%
110% AFR	5.01%	4.95%	4.92%	4.90%
120% AFR	5.47%	5.40%	5.36%	5.34%
130% AFR	5.94%	5.85%	5.81%	5.78%

REV. RUL. 2025-24 TABLE 2
Adjusted AFR for December 2025
Period for Compounding

	Annual	*Semiannual*	*Quarterly*	*Monthly*
Short-term adjusted AFR	2.78%	2.76%	2.75%	2.74%
Mid-term adjusted AFR	2.87%	2.85%	2.84%	2.83%
Long-term adjusted AFR	3.45%	3.42%	3.41%	3.40%

REV. RUL. 2025-24 TABLE 3 Rates Under Section 382 for December 2025	
Adjusted federal long-term rate for the current month	3.45%
Long-term tax-exempt rate for ownership changes during the current month (the highest of the adjusted federal long-term rates for the current month and the prior two months.)	3.58%

REV. RUL. 2025-24 TABLE 4 Appropriate Percentages Under Section 42(b)(1) for December 2025	
Note: Under section 42(b)(2), the applicable percentage for non-federally subsidized new buildings placed in service after July 30, 2008, shall not be less than 9%.	
Appropriate percentage for the 70% present value low-income housing credit	7.97%
Appropriate percentage for the 30% present value low-income housing credit	3.41%

REV. RUL. 2025-24 TABLE 5 Rate Under Section 7520 for December 2025	
Applicable federal rate for determining the present value of an annuity, an interest for life or a term of years, or a remainder or reversionary interest	4.60%

Section 42.—Low-Income Housing Credit

The applicable federal short-term, mid-term, and long-term rates are set forth for the month of December 2025. See Rev. Rul. 2025-24, page 764.

Section 280G.—Golden Parachute Payments

The applicable federal short-term, mid-term, and long-term rates are set forth for the month of December 2025. See Rev. Rul. 2025-24 page 764.

Section 382.—Limitation on Net Operating Loss Carryforwards and Certain Built-In Losses Following Ownership Change

The adjusted applicable federal long-term rate is set forth for the month of December 2025. See Rev. Rul. 2025-24, page 764.

Section 467.—Certain Payments for the Use of Property or Services

The applicable federal short-term, mid-term, and long-term rates are set forth for the month of December 2025. See Rev. Rul. 2025-24, page 764.

Section 468.—Special Rules for Mining and Solid Waste Reclamation and Closing Costs

The applicable federal short-term rates are set forth for the month of December 2025. See Rev. Rul. 2025-24, page 764.

Section 482.—Allocation of Income and Deductions Among Taxpayers

The applicable federal short-term, mid-term, and long-term rates are set forth for the month of December 2025. See Rev. Rul. 2025-24, page 764.

Section 483.—Interest on Certain Deferred Payments

The applicable federal short-term, mid-term, and long-term rates are set forth for the month of December 2025. See Rev. Rul. 2025-24, page 764.

Section 1288.—Treatment of Original Issue Discount on Tax-Exempt Obligations

The adjusted applicable federal short-term, mid-term, and long-term rates are set forth for the month of December 2025. See Rev. Rul. 2025-24, page 764.

Section 7520.—Valuation Tables

The applicable federal mid-term rates are set forth for the month of December 2025. See Rev. Rul. 2025-24, page 764.

Section 7872.—Treatment of Loans With Below-Market Interest Rates

The applicable federal short-term, mid-term, and long-term rates are set forth for the month of December 2025. See Rev. Rul. 2025-24, page 764.

Part III

Guidance for Individual Taxpayers who received Qualified Tips or Qualified Overtime Compensation in 2025

Notice 2025-69

I. PURPOSE

This Notice provides guidance to individual taxpayers who are eligible for the federal income tax deductions for qualified tips or qualified overtime compensation for tax year 2025. These new deductions were added by Public Law 119-21, 139 Stat. 72 (July 4, 2025), commonly known as the One, Big, Beautiful Bill Act (OBBBA). As previously announced, and as part of the phased implementation of the OBBBA, there will be no changes to the 2025 Form W-2, Form 1099-NEC, Form 1099-MISC, or Form 1099-K to account for the new reporting requirements in the OBBBA.[1] As a result, employers and other payors will not be required to separately account for cash tips or qualified overtime compensation on those forms or the written statements (copies of the forms) furnished to individuals for 2025.[2] In the absence of this information reporting, this Notice provides guidance for individual taxpayers on how to satisfy the requirements for the deductions, including how to determine the amount of the qualified tips or qualified overtime compensation, for tax year 2025. This Notice also provides transition relief for taxpayers regarding the requirement that qualified tips must not be received in the course of a trade or business that is a specified service trade or business. This Notice does not affect any rights or responsibilities regarding tips or overtime compensation under the Fair Labor Standards Act of 1938, as amended (FLSA).

II. BACKGROUND

Section 70201(a) of the OBBBA added new section 224 to the Internal Revenue Code (Code). In general, section 224 provides an income tax deduction for "qualified tips" that are received during the taxable year by individuals in an occupation that customarily and regularly received tips on or before December 31, 2024. Section 70201(b) of the OBBBA added the deduction provided by section 224 of the Code to the list of deductions used to determine taxable income in section 63(b).

Section 70202(a) of the OBBBA added new section 225 to the Code. In general, section 225 provides an income tax deduction for "qualified overtime compensation", defined in section 225(c) as overtime compensation paid to an individual required under section 7 of the FLSA that is in excess of the regular rate at which the individual is employed.[3] Section 70202(b) of the OBBBA added the deduction provided by section 225 of the Code to the list of deductions used to determine taxable income in section 63(b). Both deductions are available for tax years beginning after December 31, 2024, and ending before January 1, 2029.

A. No Tax on Tips under Section 224

Section 224(a) provides a deduction in an amount equal to the qualified tips received by an individual in a taxable year that are included on statements[4] furnished to the individual pursuant to section 6041(d)(3), section 6041A(e)(3), section 6050W(f)(2), or section 6051(a)(18), or are reported by the taxpayer on Form 4137 (or successor). Section 224(b)(1) limits the amount of the deduction to an amount not to exceed $25,000 in a taxable year. Section 224(b)(2) further limits the amount based on a taxpayer's modified adjusted gross income (MAGI), which is a taxpayer's adjusted gross income for the tax year increased by any amount excluded from gross income under section 911, section 931, or section 933. The deduction phases out for taxpayers with MAGI over $150,000 ($300,000 for joint filers).

Section 224(c) provides that, in the case of qualified tips received by an individual during any taxable year in the course of a trade or business (other than the trade or business of performing services as an employee) of such individual, such qualified tips are taken into account under section 224(a) only to the extent that the gross income for the taxpayer from such trade or business for such taxable year (including such qualified tips) exceeds the sum of the deductions allocable to the trade or business in which such qualified tips are received by the individual for such taxable year.

Section 224(d)(1) defines "qualified tips" as cash tips received by an individual in an occupation that customarily and regularly received tips on or before December 31, 2024, as provided by the Secretary.[5] Section 224(d)(2) further requires that qualified tips not include any amount received by an individual unless the amount:

- Is paid voluntarily without any consequence in the event of nonpayment, is not the subject of negotiation, and is determined by the payor;

[1] *See* IRS News Release IR-2025-82 (Aug. 7, 2025). Forms W-2, 1099-NEC, 1099-MISC, and 1099-K will be updated for tax year 2026 to provide separate reporting of the employee's qualified tips and qualified overtime compensation.

[2] On November 5, 2025, the Internal Revenue Service (IRS) published Notice 2025-62, IRB 2025-48, which provides penalty relief from the new information reporting requirements for cash tips and qualified overtime compensation under the OBBBA to employers and other payors for not filing correct information returns and not providing correct payee statements to employees and other payees. Specifically, this notice provides relief from the penalty under section 6721 for failure to file correct information returns and the penalty under section 6722 for failure to furnish correct payee statements. This relief applies only for taxable year 2025. *See* IRS News Release IR-2025-110 (Nov. 5, 2025).

[3] The FLSA is codified at 29 USC §§ 201-219. Section 7 is found at 29 USC § 207.

[4] The House Budget Committee report on the OBBBA, H. Rept. 119-106, at 1503 (2025), specifies that the tip amounts included on reporting statements (for example, Form 1099) must be separately accounted for on the statements in order to take the deduction. The OBBBA revisions to sections 6041, 6041A, and 6050W further require the statements to provide either a separate accounting or the portion of the amount designated as tips. The OBBBA revision to section 6051 follows the existing statutory structure of enumerating each separate category of amounts to be listed on the Form W-2.

[5] Under section 7701(a)(11)(B), Secretary means the Secretary of the Treasury or his delegate.

- Is not received in the course of a trade or business that is a specified service trade or business as defined in section 199A(d)(2); and
- Satisfies such other requirements as may be established by the Secretary in regulations or other guidance.

Section 224(d)(2) further provides that an individual receiving tips in the trade or business of performing services as an employee is treated as receiving tips in the course of a trade or business that is a specified service trade or business as defined in section 199A(d)(2) if the trade or business of the employer in which they are employed is a specified service trade or business.

Section 224(d)(3) provides that for purposes of section 224(d)(1), the term "cash tips" includes tips received from customers that are paid in cash or charged and, in the case of an employee, tips received under any tip-sharing arrangement.

Section 224(e) provides that no deduction is allowed under section 224 unless the taxpayer includes on the tax return for the taxable year such individual's social security number as defined in section 24(h)(7) of the Code.

Section 224(f) provides that if the taxpayer is a married individual (within the meaning of section 7703), section 224 applies only if the taxpayer and the taxpayer's spouse file a joint return for the taxable year. That is, the deduction is not available for a taxpayer who is married and files separately.

Section 70201(h) of the OBBBA instructs the Secretary to publish a list of occupations that customarily and regularly received tips on or before December 31, 2024, for purposes of section 224(d)(1) of the Code no later than 90 days after the date the OBBBA was enacted (July 4, 2025). On September 19, 2025, a notice of proposed rulemaking (NPRM) (REG-110032-25) was published in the Federal Register (90 FR 45340) that includes a proposed list of occupations that customarily and regularly received tips on or before December 31, 2024, and a proposed definition of qualified tips for purposes of the income tax deduction for qualified tips. The NPRM states that taxpayers may rely on the proposed regulations, including the proposed list of eligible occupations, for taxable years beginning after December 31, 2024, and on or before the date the regulations are published as final regulations in the Federal Register, provided that taxpayers follow the proposed regulations in their entirety and in a consistent manner.

Section 70201(f) of the OBBBA added to the information reporting requirements of the Code for employers and other payors making payments of cash tips by:

(1) amending section 6041(a) of the Code to require a payor to include on the information return filed with the IRS a separate accounting of any such amounts reasonably designated as cash tips and the occupation described in section 224(d)(1) of the person receiving such tips;

(2) adding new paragraph (d)(3) to section 6041 to provide that, in the case of compensation to non-employees, a payor is required to include on the written statement furnished to the payee the portion of payments reasonably designated as cash tips and the occupation described in section 224(d)(1) of the person receiving such tips;

(3) amending section 6041A(a) to require a payor to include on the information return filed with the IRS a separate accounting of any such amounts reasonably designated as cash tips and the occupation described in section 224(d)(1) of the person receiving such tips;

(4) adding new paragraph (e)(3) to section 6041A to provide that, in the case of section 6041A(a), a payor is required to include on the written statement furnished to the payee the portion of payments reasonably designated as cash tips and the occupation described in section 224(d)(1) of the person receiving such tips;

(5) adding new paragraph (a)(3) to section 6050W to provide that, in the case of a third party settlement organization (TPSO), the TPSO must include on the information return filed with the IRS the portion of reportable payment transactions that have been reasonably designated by payors as cash tips and the occupation described in section 224(d)(1) of the person receiving such tips;

(6) amending section 6050W(f)(2) to require a TPSO to include on the written statement furnished to the payee a separate accounting of any such amounts that have been reasonably designated by payors as cash tips and the occupation described in section 224(d)(1) of the person receiving such tips; and

(7) adding new paragraph (a)(18) to section 6051 to provide that an employer must include on the written statement furnished to the employee the total amount of cash tips reported by the employee under section 6053(a) and the occupation described in section 224(d)(1) of such person.

Section 70201(k) of the OBBBA provides a transition rule for persons required to file returns or furnish statements under section 6041(a), 6041(d)(3), 6041A(a), 6041A(e)(3), 6050W(a), or 6050W(f)(2) of the Code for cash tips required to be reported for periods before January 1, 2026. Under this transition rule, those persons may approximate a separate accounting of amounts designated as cash tips by any reasonable method specified by the Secretary.

Section 6053(a) requires every employee who, in the course of the employee's employment by an employer, receives in any calendar month tips that are wages (as defined in section 3121(a) for Federal Insurance Contributions Act (FICA) tax purposes or section 3401(a) for income tax withholding purposes)[6] to report all those tips in one or more written statements furnished to the employer on or before the tenth day of the following month. The employee is to furnish the statements in the form and manner prescribed by the IRS. *See* § 31.6053-1(b) of the Employment Tax Regulations.

B. No Tax on Overtime under Section 225

Section 225(a) provides for a deduction in an amount equal to the qualified overtime compensation received by an individual in a tax year that is included on statements furnished to the individual pursuant to section 6041(d)(4) or 6051(a)(19). Section 225(b)(1) limits this deduc-

[6] *See also* sections 3121(a)(12) and 3401(a)(16) of the Code (generally excluding from wages non-cash tips and tips under $20 per month), sections 3121(q) and 3401(f) (specifically including tips in wages), and the regulations thereunder.

tion to an amount not to exceed $12,500 per return ($25,000 in the case of a joint return) in a tax year. Section 225(b)(2) further limits the amount of the deduction based on a taxpayer's MAGI, which is a taxpayer's adjusted gross income for the tax year increased by any amount excluded from gross income under section 911, section 931, or section 933. The deduction phases out for taxpayers with MAGI over $150,000 ($300,000 for joint filers).

Section 225(c)(1) defines "qualified overtime compensation" as overtime compensation paid to an individual required under 29 USC § 207 that is in excess of the regular rate at which the individual is employed. The FLSA defines the regular rate as including "all remuneration for employment paid to, or on behalf of, the employee", subject to eight exclusions established in 29 USC § 207(e). Part 778 of CFR title 29 contains the regulations addressing the calculation of the regular rate of pay for overtime compensation under 29 USC § 207. Individuals covered[7] by the FLSA generally must receive overtime pay for hours worked in excess of 40 in a workweek at a rate not less than one and one-half times their regular rate of pay. Generally, the amount of overtime pay due to an individual is based on the individual's regular rate of pay[8] and the number of hours worked in a workweek.[9] Certain individuals are statutorily exempt from the FLSA's overtime requirements.[10] The Code and the FLSA use different definitions of "employee." Therefore, it is possible (but not common) for a non-employee under the Code to be covered as an employee under the FLSA.

Under the FLSA, the overtime requirements are different for certain classes of employers and employees (as defined in the FLSA) under specific circumstances. For example, 29 USC § 207(k) allows overtime for public sector employees in fire protection and law enforcement to be based on a work period longer than a standard 40-hour workweek in certain circumstances, and subsection 29 USC § 207(j) allows hospitals and certain residential care facilities to adopt agreements with their employees in certain circumstances to pay one-and-one-half times overtime rates for all hours worked over eight in any workday or over 80 in a 14-day work period, whichever is the greater number of overtime hours. The FLSA also permits employers to satisfy the overtime pay requirements with (1) certain payments creditable under 29 USC § 207(h); (2) paid compensatory time off in certain circumstances by a public agency which is a State, a political subdivision of a State or an interstate governmental agency under 29 USC § 207(o); and (3) alternative rate structures under 29 USC § 207(g).

Some employers or other service-recipients, on their own initiative, under a collective bargaining agreement with a labor union, and/or under State law, may provide overtime pay that is not required by 29 USC § 207. For example, an employer may choose to pay a higher overtime amount than the one and one-half times an individual's regular rate of pay that is generally required by the FLSA (e.g., the employer may choose to pay double time for hours worked over 40 in a workweek) or they may choose to pay employees an extra amount to work on weekends or holidays.[11] In such cases, while the additional one-half times portion required by the FLSA may be qualified overtime, payments in excess of the FLSA-required premium are not.

Section 225(c)(2) of the Code excludes from the definition of qualified overtime compensation any qualified tips as defined in section 224(d) of the Code.

Section 225(d) provides that no deduction is allowed under section 225 unless the taxpayer includes on the return of tax for the tax year such individual's social security number as defined in section 24(h)(7) of the Code.

Section 225(e) provides that if the taxpayer is a married individual (within the meaning of section 7703), section 225 applies only if the taxpayer and the taxpayer's spouse file a joint return for the tax year. That is, the deduction is not available for a taxpayer who is married and files separately.

Section 70202(c) of the OBBBA added to the information reporting requirements of the Code for employers and certain other payors for certain payments of qualified overtime compensation by:

(1) adding new paragraph (a)(19) to section 6051 of the Code to provide that an employer must include on the written statement furnished to the employee the total amount of qualified overtime compensation (as defined in section 225(c)),

(2) amending section 6041(a) to require a payor to include on the information return filed with the IRS a separate accounting of any amount of qualified overtime compensation (as defined in section 225(c)), and

(3) adding new paragraph (d)(4) to section 6041 to provide that a payor is required to include on the written statement furnished to the payee the portion of payments that are qualified overtime compensation (as defined in section 225(c)).

Section 70202(h) of the OBBBA provides a transition rule for persons required to file returns or furnish statements under

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[7] *See* U.S. Department of Labor (DOL), Wage and Hour Division (WHD), Fact Sheet #14: Coverage Under the Fair Labor Standards Act (FLSA) | U.S. Department of Labor, https://www.dol.gov/agencies/whd/fact-sheets/14-flsa-coverage (last visited Oct. 28, 2025).

[8] Earnings may be determined on a piece-rate, salary, commission, or some other basis, but in all such cases the overtime pay due must be computed on the basis of the average hourly rate derived from such earnings. This rate is calculated by dividing the total pay for employment (except for the statutory exclusions) in any workweek by the total number of hours actually worked. *See* DOL, WHD, Fact Sheet #56A: Overview of the Regular Rate of Pay Under the Fair Labor Standards Act (FLSA) | U.S. Department of Labor, https://www.dol.gov/agencies/whd/fact-sheets/56a-regular-rate (last visited Oct. 28, 2025).

[9] The FLSA applies on a workweek basis. An employee's workweek is a fixed and regularly recurring period of 168 hours -- seven consecutive 24-hour periods. It need not coincide with the calendar week and may begin on any day and at any hour of the day. *See* DOL, WHD, Fact Sheet #23: Overtime Pay Requirements of the FLSA | U.S. Department of Labor, https://www.dol.gov/agencies/whd/fact-sheets/23-flsa-overtime-pay (last visited Oct. 28, 2025).

[10] *See, e.g.*, 29 USC 207(i), 213. Whether an individual is exempted under the FLSA is a fact-specific determination that depends on the individual's occupation, work activities, and/or earnings. More information on exemptions from the FLSA is available at WHD Fact Sheets | U.S. Department of Labor, https://www.dol.gov/agencies/whd/fact-sheets (last visited Oct. 28, 2025).

[11] Amounts for which the employer can and does claim a credit under 29 USC § 207(h) to satisfy 29 USC § 207(a) may constitute qualified overtime compensation (although the credit effectively offsets other qualified overtime compensation). Individuals may consider requesting information from their employer for purposes of calculating this amount. *See also* Fact Sheet #21: Recordkeeping Requirements under the Fair Labor Standards Act (FLSA) | U.S. Department of Labor regarding employer's recordkeeping requirements, https://www.dol.gov/agencies/whd/fact-sheets/21-flsa-recordkeeping (last visited Oct. 28, 2025).

section 6051(a)(19), 6041(a), or 6041(d)(4) of the Code for qualified overtime compensation required to be reported for periods before January 1, 2026. Under this transition rule, those persons may approximate a separate accounting of amounts designated as qualified overtime compensation by any reasonable method specified by the Secretary.

III. GUIDANCE FOR TAX YEAR 2025

A. Qualified Tips

1. Determining the amount of qualified tips received by employees

Under Section 224(a), an employee may deduct an amount equal to the qualified tips received during the taxable year and included on a statement furnished to the employee (a Form W-2) or reported by the employee on Form 4137, subject to certain limitations. Section 6051(a)(18) requires employers to include the total amount of cash tips reported by the employee to the employer and the employee's occupation described in section 224(d)(1) on the Form W-2. Only cash tips separately accounted for on the Form W-2 or reported on the Form 4137 are included in calculating the deduction.

As noted above, the 2025 Form W-2 has not been modified to account for the new tips reporting requirements. As a result, employers are not required to separately account for cash tips on the written statements furnished to individuals for 2025. Therefore, the Department of the Treasury (Treasury Department) and the IRS have determined that, for purposes of satisfying the requirements of section 224(a) for tax year 2025, an employee may (1) treat the section 224(a) requirement that qualified tips be included on a statement furnished to the employee pursuant to section 6051(a)(18) as satisfied if the employee's cash tips are properly reported on the employee's Form W-2, without regard to the requirements of section 6051(a)(18) (to separately account for the total amount of cash tips reported by the employee under section 6053(a)), and (2) calculate the amount of qualified tips (subject to the other limitations and requirements for qualified tips in section 224) for tax year 2025 as follows:

1) Use the total amount of social security tips reported in box 7 of the Form W-2;
2) Use the total amount of tips reported by the employee to the employer on all Forms 4070, *Employee's Report of Tips to Employer* (or any similar substitute form used to monthly report tips to the employer); or[12]
3) If an employer voluntarily chooses to report the amount of an employee's cash tips in box 14 of Form W-2 (or on a separate statement), the employee may use this amount in determining the amount of qualified tips for tax year 2025.
4) In addition to these three options, employees may also include any amount listed on line 4 of the 2025 Form 4137 filed with the employee's 2025 income tax return (and included as income on that return).

Although the occupation of an employee receiving tips may not appear on the Form W-2 furnished to the employee in 2025, the employee is still responsible for determining whether the tips received by the employee were received in an occupation that customarily and regularly received tips on or before December 31, 2024, as provided by the Secretary.[13] *See* 2025 Form 1040 instructions. Some employers may choose to provide information on an employee's occupation or other relevant information to employees using box 14 of Form W-2, in which case employees may rely on that information.

The Treasury Department and the IRS recognize that the deduction for qualified tips is a newly enacted provision and that employees receiving tips are determining their eligibility for the deduction for the first time. The Treasury Department and the IRS understand that it may be particularly difficult for employees to determine whether their tips were received in the course of a specified service trade or business, since section 224(d)(2) provides that this determination turns on whether the trade or business of their employer in the course of which they receive tips is a specified service trade or business. Reporting by the employer regarding the employer's specified service trade or business status would be helpful both to assist employees in determining whether they are eligible for the tips deduction and to the IRS in administering section 224. However, in order to implement such information reporting, employers with employees who receive tips will have to make a determination as to whether their trade or business in the course of which an employee receives tips is a specified service trade or business, and many of these employers, a significant number of which are small businesses, have not previously had to make such a determination. Given these circumstances, the Treasury Department and the IRS believe that additional guidance is needed to assist employees and employers in determining whether an employer's trade or business is a specified service trade or business. Employees and employers will also need additional time once guidance is issued to understand and implement the guidance. Accordingly, in the interest of sound tax administration, there will be a transition period for purposes of IRS enforcement and administration with regard to the specified service trade or business requirement. Specifically, until January 1 of the first calendar year following the issuance of final regulations regarding the determination of whether a trade or business is a specified service trade or business for purposes of section 224 and associated employer information reporting, the IRS will treat the employee as having received tips in the course of a trade or business that is not a specified service trade or business if the employee is in an occupation that customarily and regularly received tips on or before December 31, 2024, as provided

[12] If the combined total of the amounts in boxes 3 and 7 of the employee's Form W-2 is equal to $176,100, the amount in box 7 may not include all the employee's cash tips. In this instance, the employee should consider reviewing the Forms 4070 they used to report tips to their employer.

[13] Taxpayers claiming the deduction under section 224 on their tax return must demonstrate they meet the requirements of section 224 and establish that they are entitled to the deduction as well as determine the appropriate amount of the deduction. Taxpayers must maintain adequate books and records to substantiate both their eligibility for and the amount of any deduction claimed. See § 6001; Treas. Reg. § 1.6001-1; *See generally* Publication 17, pp. 17-18.

by the Secretary. The Treasury Department and the IRS intend to issue proposed regulations and solicit public comment on these issues before publishing final regulations.

2. Determining the amount of qualified tips for non-employees

Under section 224(a) an individual may deduct an amount equal to the qualified tips received as a non-employee during the taxable year and included on a statement furnished to the individual (a Form 1099-MISC, 1099-NEC, or 1099-K), subject to certain limitations. Under sections 6041(d)(3), 6041A(e)(3), and 6050W(f)(2), payors must include on the applicable Form 1099 the portion of (or a separate accounting of) payments that have been reasonably designated as cash tips and the occupation described in section 224(d)(1) of the individual receiving the tips. Only cash tips separately accounted for on the applicable Form 1099 are included in calculating the deduction.

However, for tax year 2025, a separate accounting of cash tips received by a non-employee will not appear on the Form 1099 furnished to the non-employee. Therefore, the Treasury Department and the IRS have determined that, for purposes of satisfying the requirements of section 224(a) for tax year 2025, a non-employee may (1) treat the section 224(a) requirement that qualified tips be included on a statement furnished pursuant to the requirements of sections 6041(d)(3), 6041A(e)(3), or 6050W(f)(2) as satisfied if the non-employee's cash tips are included in the total amounts reported as other income on the Form 1099-MISC, nonemployee compensation on the Form 1099-NEC, or payment card/third-party network transactions on the Form 1099-K furnished to the non-employee, and (2) calculate the amount of qualified tips (subject to the other limitations and requirements for qualified tips under section 224) using earnings statements or other documentation such as receipts, point-of-sale system reports, daily tip logs, third party settlement organization records, or other documentary evidence that corroborates the calculation of the total amount of tips that are qualified tips for tax year 2025. For example, if a payor issues an earnings statement to contractors who provide services to the payor, the contractor may use the amount designated as tips by the payor on the earnings statement in determining the amount of qualified tips, provided the other limitations and requirements for qualified tips are satisfied, and provided the contractor maintains a copy of the earnings statement in accordance with IRS recordkeeping requirements.[14] Non-employee payees may also consult with the payor regarding any available information that may assist in determining and documenting the amount of qualified tips.

Although the occupation of a non-employee payee receiving tips will not appear on a 2025 Form 1099 furnished to the non-employee payee, the payee is still responsible for determining whether the tips received by the payee were received in an occupation that customarily and regularly received tips on or before December 31, 2024, as provided by the Secretary

As with employees receiving tips, the Treasury Department and the IRS recognize that most non-employees receiving tips are determining their eligibility for the deduction for the first time. Similarly, the Treasury Department and the IRS understand that it may be difficult for these non-employees to determine whether their tips were received in connection with a specified service trade or business and that additional guidance is needed to assist non-employees in making that determination. Accordingly, the transition relief described above with regard to whether employee tips were received in connection with a specified service trade or business will also apply to non-employees.

3. Examples

The following examples are intended to assist taxpayers in determining the amount of qualified tips under section 224(d) and do not address other limitations on the deduction allowed under section 224(a), including the overall limit on deductions in section 224(b)(1), the MAGI limit in section 224(b)(2), and the social security number requirement in section 224(e). *See* 2025 Form 1040 instructions for more details on how to apply these limitations. In each example, unless otherwise indicated, assume that (1) the individual's occupation is one that customarily and regularly received tips on or before December 31, 2024, and (2) all other requirements for claiming the deduction are satisfied.

Example 1. Employee A is a restaurant server. The amount reported in A's Form W-2 box 7 is $18,000 of social security tips. A did not report any additional tips on Form 4137. A may use $18,000 in determining the amount of qualified tips for tax year 2025.

Example 2. Employee B is a bartender. During tax year 2025, B reports $20,000 in tips to B's employer on Form 4070. B's 2025 Form W-2 reports $200,000 in box 1, an amount in excess of the social security wage base, and $15,000 in box 7. Additionally, B reports $4,000 of unreported tips on Form 4137, line 4, and includes this amount in income on B's Form 1040. B may use either the $15,000 in box 7 of the Form W-2, or the $20,000 of tips reported to B's employer on Forms 4070 in determining the amount of qualified tips for tax year 2025. Regardless of the option chosen, B may also include the $4,000 of unreported tips from Form 4137, line 4, in determining the amount of qualified tips.

Example 3. Individual D is a self-employed travel guide who operates as a sole proprietor. In 2025, Individual D receives $7,000 in tips from customers paid through a third-party settlement organization as defined in section 6050W(b)(3). For tax year 2025, Individual D receives a Form 1099-K from an online booking platform that is a third-party settlement organization as defined in section 6050W(b)(3) showing $55,000 of total payments. The Form 1099-K does not separately identify the tips. However, Individual D keeps a log of each

[14] *See id.*

tour that shows the date, customer, and tip amount received. Because Individual D has daily tip logs substantiating the $7,000 tip amount, D may use the $7,000 tip amount in determining qualified tips for tax year 2025.

B. Qualified Overtime Compensation

1. Determining whether an individual is covered and nonexempt

Section 225(c) of the Code limits qualified overtime compensation to overtime compensation in excess of the individual's regular rate that is required and paid under 29 USC § 207. In order for overtime to be required under 29 USC § 207, it must, among other requirements, be paid to an individual who is both covered by and not exempt from the FLSA (an FLSA-eligible employee).[15] Thus, an individual who is ineligible for Federal overtime (an FLSA-ineligible employee) will generally not be paid overtime. However, some FLSA-ineligible employees are eligible for overtime under State law or are paid premium rates for certain work for other reasons. Overtime compensation paid to FLSA-ineligible employees is not qualified overtime compensation within the meaning of section 225(c) with respect to such employment, regardless of applicable State law provisions or other circumstances causing these amounts to be paid.

Because employers and other payors will not be required to separately account for qualified overtime compensation, a separate accounting of qualified overtime compensation will not appear on written statements furnished to individuals for tax year 2025 absent an entry in box 14 of Form W-2 or a separate statement containing that information. Consequently, individuals who are not furnished a separate accounting of qualified overtime compensation in box 14 of Form W-2 (or on a separate statement) must make a reasonable effort to determine whether they are considered FLSA-eligible employees, which may include asking their employers or other service recipients about their status under the FLSA.

2. Determining the amount of qualified overtime compensation

Under section 225(a), an individual may deduct an amount equal to the qualified overtime compensation received during the taxable year and included on a statement furnished to the individual (a Form W-2, Form 1099-NEC, or Form 1099-MISC). Under section 6051(a)(19), employers must include on the Form W-2 the total amount of qualified overtime compensation. Similarly, under section 6041(d)(4), payors must include on the applicable Form 1099 the portion of payments that are qualified overtime compensation. For tax year 2025, a separate accounting of qualified overtime compensation may not appear on the written statement furnished to the individual. Some employers may choose to report the amount of qualified overtime compensation to employees using box 14 of Form W-2 or on a separate statement, in which case employees may treat the separate accounting requirement as satisfied for purposes of their eligibility for the deduction and use this amount for purposes of determining the deduction under section 225. If the amount of qualified overtime compensation is not provided by the employer in box 14 of the Form W-2 or on a separate statement, the Treasury Department and the IRS have determined that, for tax year 2025, an FLSA-eligible employee may (1) treat the separate accounting requirement as satisfied if the qualified overtime compensation is properly reported on the individual's Form W-2, Form 1099-NEC, or From 1099-MISC, without regard to the requirements of section 6051(a)(19) (to separately account for the amount of qualified overtime compensation), copies of which are furnished to the individual, and (2) base the determination of the amount of qualified overtime compensation (subject to the other limitations and requirements for qualified overtime compensation in section 225 of the Code) on other documentation such as earnings or pay statements, invoices, or similar statements that support the determination, using a reasonable method described below to determine the amount of the qualified overtime compensation. Individuals who had multiple employers during 2025 may use different methods for each employer.

Individuals may use any of the following reasonable methods for purposes of determining the amount of qualified overtime compensation under section 225(c) for tax year 2025:

(A) If the individual is paid overtime compensation at a rate of one and one-half times the individual's regular rate for hours worked in excess of 40 hours in a workweek, as generally required by 29 USC § 207(a), and receives a statement covering the entire 2025 tax year that separately accounts for the overtime premium, which is generally, the "half" portion of the "one and one-half times" amount (the FLSA Overtime Premium), the individual may use that separate amount. See example 1.

(B) If the individual is paid overtime compensation at a rate of one and one-half times the individual's regular rate for hours worked in excess of 40 hours in a workweek, as generally required by 29 USC § 207(a), and receives a statement covering the entire 2025 tax year that does not separately account for the FLSA Overtime Premium, but does include an entry showing the aggregate dollar amount of the FLSA Overtime Premium combined with the portion of the individual's regular wages for the hours worked over 40 in a workweek, the individual may use one-third of that aggregate dollar amount. See example 2.

(C) If the individual is paid overtime compensation at a rate in excess of one and one-half times the individual's regular rate for hours worked in excess of 40 hours in a workweek, as generally required by 29 USC § 207(a) (for example, two times the individual's regular rate), and receives a statement covering the entire 2025 tax year that separately accounts for the portion in excess of the employee's regular rate, the individual may multiply that separate amount by an appropriate fraction to approximate the FLSA Overtime Premium (for example, if overtime is paid

[15] For more information on coverage and exemption under the FLSA, see WHD Fact Sheets | U.S. Department of Labor, https://www.dol.gov/agencies/whd/fact-sheets (last visited Oct. 28, 2025).

at a rate of two times the regular rate, the appropriate fraction is one-half) and use the product. See example 3.

(D) If the individual is paid overtime compensation at a rate in excess of one and one-half times the individual's regular rate for hours worked in excess of 40 hours in a workweek, as generally required by 29 USC § 207(a) (for example, two times the individual's regular rate), and receives a statement that does not separately account for the FLSA Overtime Premium but does include an entry showing the aggregate dollar amount of overtime compensation at that higher rate for the hours worked over 40 hours combined with the portion of the individual's regular wages for the hours worked over 40 in a workweek covering the entire 2025 tax year, then the individual may multiply the aggregate dollar amount by an appropriately smaller fraction (for example, if overtime is paid at a rate of two times the regular rate, the appropriate fraction is one-fourth) and use the product. See example 4.

(E) If the method for determining the amount of qualified overtime compensation described in paragraph (B) or (D) above would result in underestimating the employee's qualified overtime compensation (for example, because the individual's regular rate is increased by a nondiscretionary bonus), the individual may adjust the method described in paragraph (B) or (D) to take the difference into account.

(F) If the individual is paid overtime compensation at a rate described in paragraphs (A)-(E) above but does not receive any statement covering the entire 2025 tax year separately accounting for the FLSA Overtime Premium, the aggregate dollar amount of FLSA overtime, or the aggregate dollar amount of overtime compensation paid at a higher rate, the individual may use a reasonable method that takes into account (1) the regular rate under 29 USC § 207(e) paid to the individual by the employer (or a reasonable approximation of this amount), and (2) the individual's hours of service in excess of 40 hours in a workweek (or a reasonable approximation if the individual does not have records of actual hours of service) for purposes of determining the amount of qualified overtime compensation under section 225(c). A reasonable method includes requesting information from the individual's employer and using the information provided by the employer for purposes of calculating the deduction.[16]

(G) If an individual's employer satisfies the requirements under 29 USC § 207 by operation of another subsection of the FLSA other than 29 USC § 207(a) (including but not limited to public sector employees in fire protection and law enforcement (29 USC § 207(k))[17], employees of a political subdivision of a State or an interstate governmental agency who receives compensatory time off in certain circumstances in lieu of cash overtime compensation (29 USC § 207(o))[18], and employees of hospitals or certain residential care facilities (29 USC § 207(j)),[19] the individual must compute the amount of overtime compensation by operation of the different overtime rules used in the relevant provision of 29 USC § 207 that apply to the individual and may use any reasonable method contained in this notice that takes those alternative overtime rules into account. See examples 5 and 6.

The Treasury Department and the IRS are aware that documents such as earnings statements and pay stubs take a variety of forms, and employers and other service-recipients provide overtime compensation in a variety of ways (including, for example, combining State-required and FLSA-required overtime). Individuals may use the amounts reported as overtime compensation on earnings statements, pay stubs, and other documentation provided by payors to calculate the FLSA Overtime Premium for 2025. For example, individuals may approximate the amounts of FLSA Overtime Premium by using overtime amounts reported on a pay statement or similar document that covers all wages paid in 2025. *See* Example 1. In all cases, individuals must maintain copies of any documents they rely on in accordance with IRS recordkeeping requirements.[20]

3. Examples

The following examples illustrate how an individual may determine the amount of qualified overtime compensation that may be allowed as an income tax deduction under section 225 of the Code for tax year 2025 and are not intended to address the full universe of situations in which overtime payments may be required under the FLSA. These examples are intended to assist a taxpayer in determining the amount of qualified overtime under section 225(c) and do not address other limitations on the deduction allowed under section 225(a), including the overall limit on deductions in section 224(b)(1), the MAGI limit in section 225(b)(2), and the social security number requirement in section 225(d). *See* 2025 Form 1040 instructions for more details on how to apply these limitations. The examples assume: (1) each individual is furnished a Form W-2 without a discrete entry reporting qualified overtime in box 14 or on a separate statement; (2) each individual is an FLSA-eligible employee; and (3) all other requirements for claiming the deduction are satisfied.

Example 1. Individual A has access to a payroll system that shows totals of

[16] See Fact Sheet #21: Recordkeeping Requirements under the Fair Labor Standards Act (FLSA) | U.S. Department of Labor, https://www.dol.gov/agencies/whd/fact-sheets/21-flsa-recordkeeping (last visited Oct. 28, 2025) regarding employer's recordkeeping requirements.

[17] See Fact Sheet #8: Law Enforcement and Fire Protection Employees Under the Fair Labor Standards Act (FLSA) | U.S. Department of Labor, https://www.dol.gov/agencies/whd/fact-sheets/8-flsa-police-firefighters (last visited Oct. 28, 2025).

[18] Amounts described in 29 USC § 207(o) must be properly included on the employee's Form W-2 to be considered qualified overtime compensation. Accordingly, individuals receiving compensatory time under 29 USC § 207(o)(3)(B) in satisfaction of overtime amounts due under 29 USC § 207 may take the overtime amount into account for purposes of section 225 only in the year the compensatory time is paid.

[19] See Fact Sheet #33: Residential Care Facilities (Group Homes) Under the Fair Labor Standards Act | U.S. Department of Labor, https://www.dol.gov/agencies/whd/fact-sheets/33-flsa-group-homes (last visited Oct. 28, 2025).

[20] Taxpayers claiming the deduction under section 225 on their tax return must demonstrate they meet the requirements of section 225 and establish that they are entitled to the deduction as well as determine the appropriate amount of the deduction. *See also* § 6001; Treas. Reg. § 1.6001-1; *see generally* Publication 17, pp. 17-18.

amounts paid to Individual A in 2025, including the FLSA Overtime Premium paid during 2025. In 2025, Individual A is last paid wages on December 22, 2025, for the payroll period beginning on November 30, 2025, and ending on December 13, 2025.[21] The payroll system shows $5,000 as the "overtime premium" that Individual A was paid during 2025. For purposes of determining the amount of qualified overtime compensation received in tax year 2025, Individual A may include $5,000 (the FLSA Overtime Premium).

Example 2. Assume the same facts as in example 1 except that Individual A's pay stub, shows a total "overtime" amount of $15,000 (which is the FLSA Overtime Premium combined with the portion of the individual's regular wages for the hours worked over 40 in a workweek). For purposes of determining the amount of qualified overtime compensation received in tax year 2025, the individual may include $5,000 (the FLSA Overtime Premium, computed by dividing $15,000 by 3).

Example 3. Individual B's employer has a practice of paying overtime at a rate of two times an employee's regular rate of pay and Individual B was paid $20,000 in overtime pay under that practice, although 29 USC § 207 only requires Individual B's employer to pay at one and one-half times the employee's regular rate. Individual B's last pay stub for 2025 shows "overtime premium" of $10,000 paid in 2025 (which is Individual B's overtime premium paid at a rate of two times the individual's regular rate). For purposes of determining the amount of qualified overtime compensation received in tax year 2025, Individual B may include $5,000 ($10,000 divided by 2).

Example 4. Assume the same facts as in example 3 except that Individual B's pay stub shows a total "overtime" amount of $20,000 (which is Individual B's overtime premium paid at a rate of two times the individual's regular rate of pay combined with the portion of the individual's regular wages for the hours worked over 40 in a workweek). For purposes of determining the amount of qualified overtime compensation received in tax year 2025, Individual B may include $5,000 (the FLSA Overtime Premium, computed by dividing $20,000 by 4).

Example 5. Individual C works in law enforcement and is paid $15,000 of total annual overtime pay on a "work period" basis of 14 days that complies with section 207(k) of the FLSA.[22] For purposes of determining the amount of qualified overtime compensation received in tax year 2025, Individual C may include $5,000 ($15,000 divided by 3).

Example 6. Individual D works for a State or local government agency that gives compensatory time at a rate of one and one-half hours for each overtime hour worked under 29 USC 207(o). In 2025, Individual D was paid wages of $4,500 with respect to compensatory time off taken in accordance with section 207(o). For purposes of determining the amount of qualified overtime compensation received in tax year 2025, Individual D may include $1,500, one-third of these wages for purposes of determining qualified overtime compensation under section 225(c).

IV. Paperwork Reduction Act

The Paperwork Reduction Act of 1995 (44 USC 3501-3520) (PRA) generally requires that a Federal agency obtain the approval of the Office of Management and Budget (OMB) before collecting information from the public, whether such collection of information is mandatory, voluntary, or required to obtain or retain a benefit. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid control number assigned by the Office of Management and Budget.

This Notice mentions collection requirements for taxpayers to keep records to substantiate their tax deductions for tax year 2025. These records are considered general tax records under 26 CFR 6001-1. General tax records are already approved by OMB under 1545-0074. Additionally, taxpayers report the deductions using Form 1040, which is already approved by OMB under 1545-0074. This Notice is not changing the already approved OMB collection.

The Notice mentions new information collection requirements for various forms in tax year 2026. These collections will be submitted for OMB approval when the forms and their instructions are updated for tax year 2026.

V. APPLICABILITY DATE

This notice applies to the 2025 tax year.

VI. DRAFTING INFORMATION

The principal author of this notice is the Office of Associate Chief Counsel (Employee Benefits, Exempt Organizations, and Employment Taxes). For further information regarding this notice, call (202) 317-6000 (not a toll-free number).

Request for Comments on Individual Tax Credit for Qualified Contributions to Scholarship Granting Organizations

Notice 2025-70

SECTION 1. PURPOSE

The Department of the Treasury (Treasury Department) and the Internal Revenue Service (IRS) intend to issue proposed regulations (forthcoming proposed regulations) to implement new § 25F of the Internal Revenue Code

[21] The employee's earning statement relating to the payroll period beginning on December 14, 2025, and ending on December 27, 2025, shows amounts that are not actually paid until January 6, 2026. Thus, it would not include any FLSA Overtime Premium paid in 2025.

[22] *See* Fact Sheet #8: Law Enforcement and Fire Protection Employees Under the Fair Labor Standards Act (FLSA) | U.S. Department of Labor, https://www.dol.gov/agencies/whd/fact-sheets/8-flsa-police-firefighters (last visited Oct. 28, 2025).

(Code),[1] as added by § 70411 of Public Law 119-21, 139 Stat. 72 (July 4, 2025), commonly known as the One, Big, Beautiful Bill Act (OBBBA). Section 25F provides a new credit for an individual's qualified contribution to a scholarship granting organization (as defined in § 25F(c)(5)) (SGO) that provides qualified elementary and secondary scholarships. In anticipation of issuing the forthcoming proposed regulations, this notice requests comments regarding issues arising under § 25F that should be addressed in guidance, emphasizing issues on which guidance is most quickly needed, including issues relating to the annual certification by a State[2] and SGO requirements. Comments detailing factual situations that differ from those addressed in this notice, and the application of the statute to these factual situations, would be especially helpful in the development of the forthcoming proposed regulations.

SECTION 2. BACKGROUND

.01 *Overview of § 25F Credit*. Section 25F provides a nonrefundable income tax credit (§ 25F credit) allowable to a taxpayer for qualified contributions to SGOs made by an individual who is a citizen or resident of the United States (within the meaning of § 7701(a)(9)). Section 25F(c)(3) defines a "qualified contribution" as a charitable contribution of cash to an SGO that uses the contribution to fund scholarships for eligible students (as defined in § 25F(c)(2)) solely within the State in which the organization is listed pursuant to § 25F(g). In order for a contribution made by a taxpayer to an SGO in a State to be a qualified contribution eligible for a § 25F credit, the State must have voluntarily elected to participate under § 25F and must have identified the SGO as one that satisfies the requirements of § 25F(c)(5) for the applicable calendar year in accordance with § 25F(g). *See* sections 2.04 and 3 of this notice regarding State lists and certifications necessary for State elections.

.02 *Amount of § 25F Credit*. Section 25F(a) provides that, in the case of an individual who is a citizen or resident of the United States (within the meaning of § 7701(a)(9)), there is allowed as a credit against the tax imposed by chapter 1 of the Code for the taxable year an amount equal to the aggregate amount of qualified contributions made by the taxpayer during the taxable year. The amount of the § 25F credit allowable to a taxpayer for a taxable year is subject to two limitations in § 25F(b). First, § 25F(b)(1) provides that the amount of the § 25F credit allowed to any taxpayer for any taxable year may not exceed $1,700. Second, § 25F(b)(2) provides that the amount allowed as a § 25F credit for a taxable year is reduced by the amount allowed as a credit on any State tax return of the taxpayer for qualified contributions made by the taxpayer during the taxable year. In addition, § 25F(e) prohibits a double benefit to a taxpayer by providing that any qualified contribution for which a § 25F credit is allowed cannot be taken into account as a charitable contribution for purposes of § 170.

Section 25F(f) provides for the carryforward of unused § 25F credit amounts. Section 25F(f)(1) provides that, if the § 25F credit allowable for any taxable year exceeds the limitation imposed by § 26(a) for such taxable year reduced by the sum of the credits allowable under §§ 21, 22, 24, 25, 25A, 25B, 25C, 25E, and 26, such excess is carried to the succeeding taxable year and added to the credit allowable under § 25F(a) for such taxable year. In addition, § 25F(f)(2) provides that no credit may be carried forward under § 25F(f) to any taxable year following the fifth taxable year after the taxable year in which the credit arose. For this purpose, § 25F(f) provides that § 25F credits are treated as used on a first-in, first-out basis.

.03 *SGO Requirements*.

(1) *Section 25F(c)(5)*. An organization can qualify as an SGO only if it satisfies each requirement set forth in § 25F(c)(5). The SGO requirements under § 25F(c)(5) are that the organization must:

(a) be described in § 501(c)(3), be exempt from tax under § 501(a), and not be a private foundation;

(b) prevent the co-mingling of qualified contributions with other amounts by maintaining one or more separate accounts exclusively for qualified contributions;

(c) satisfy each of the requirements of § 25F(d); and

(d) be included on the list submitted for the applicable covered State under § 25F(g) for the applicable year. For this purpose, § 25F(c)(1) defines a "covered State" as "one of the States, or the District of Columbia," that, for a calendar year, voluntarily elects to participate under § 25F and to identify the SGOs located in the State, in accordance with § 25F(g).

(2) *Section 25F(d)*. The requirements in § 25F(d) that an SGO must satisfy are as follows:

(a) The organization must provide scholarships to 10 or more students who do not all attend the same school.

(b) The organization cannot spend less than 90 percent of its income on scholarships for eligible students.

(c) The organization cannot provide scholarships for any expenses other than qualified elementary or secondary education expenses. Section 25F(c)(4) defines a qualified elementary or secondary education expense as any expense described in § 530(b)(3)(A) (relating to Coverdell education savings accounts) of an eligible student. Section 530(b)(3)(A) identifies these expenses to include certain expenses incurred at, required by, or provided by a public, private, or religious school.

(d) The organization must provide scholarships to eligible students with a priority for:

(i) students awarded a scholarship the previous school year, and thereafter, and

(ii) any eligible students who have a sibling who was awarded a scholarship from such organization.

(e) The organization cannot earmark or set aside contributions for scholarships on behalf of any particular student.

(f) The organization must:

(i) verify the annual household income and family size of eligible students who apply for scholarships to ensure such students meet the area median gross income requirement of § 25F(c)(2)(A), and

[1] Unless otherwise provided, all "section" or "§" references are to sections of the Code.

[2] Pursuant to § 25F(c)(1), for purposes of this notice, the term "State" means one of the 50 States or the District of Columbia.

(ii) limit the awarding of scholarships to eligible students who are members of a household for which the income does not exceed the amount established under § 25F(c)(2)(A).

(g) The organization cannot award a scholarship to any disqualified person, which § 25F(d)(2)(B) provides is determined pursuant to rules similar to the rules of § 4946 (relating to private foundations).

.04 *State lists and certifications*. Section 25F(g) provides that:

(1) Not later than January 1 of each calendar year (or, with respect to the 2027 calendar year, as early as practicable), a State that voluntarily elects to participate under § 25F must provide to the Secretary of the Treasury or the Secretary's delegate (Secretary) a list of the SGOs that meet the requirements described in § 25F(c)(5) and are located in the State (State list).

(2) The election under § 25F(g) must be made by the Governor of the State or by such other individual, agency, or entity as is designated under State law to make such elections on behalf of the State with respect to Federal tax benefits.

(3) Each State list must include a certification that the individual, agency, or entity submitting such list on behalf of the State has the authority to perform this function.

.05 *Regulations and guidance*. Section 25F(h) directs the Secretary to issue such regulations or other guidance as the Secretary determines necessary to carry out the purposes of § 25F, including regulations or other guidance:

(1) providing for enforcement of the requirements under § 25F(d) and (g), and

(2) with respect to recordkeeping or information reporting for purposes of administering the requirements of § 25F.

SECTION 3. REQUEST FOR COMMENTS ON STATE LISTS AND CERTIFICATIONS

.01 *Overview*. Sections 3.02 and 3.03 of this notice describe the certification process currently envisioned by the Treasury Department and the IRS for covered States to elect to participate under § 25F in accordance with § 25F(g). The Treasury Department and the IRS request comments on all aspects of this certification process. Sections 3.04 through 3.06 of this notice set forth specific questions regarding particular aspects of the State certification process on which the Treasury Department and the IRS request comments.

.02 *State election and list*. Section 25F(g) provides that a State that voluntarily elects to participate under § 25F must provide to the Secretary a list of the SGOs that meet the requirements described in § 25F(c)(5) and are located in the State. Thus, the election by a State to participate under § 25F (State election) may be made prior to or contemporaneously with the submission of the State's list of those organizations. The Treasury Department and the IRS anticipate that the forthcoming proposed regulations would require each State electing to participate under § 25F for the 2027 calendar year to submit to the IRS, by a specified date before January 1, 2027, the State's list of organizations located in that State meeting the requirements of § 25F(c)(5) for the 2027 calendar year along with the State's certification under § 25F(g)(2). The forthcoming proposed regulations would include a similar requirement for submission of an annual list and certification from each electing State for subsequent years.

However, the Treasury Department and the IRS understand that potential SGOs may need sufficient time to prepare for the commencement of this new credit in 2027 and assurance that the State in which they are located will elect to participate under § 25F. Accordingly, the Treasury Department and the IRS intend to issue future published guidance providing States with the option to submit, beginning early in 2026, the State election to participate under § 25F for calendar year 2027.

The Treasury Department and the IRS anticipate that the forthcoming proposed regulations would require the State to electronically submit the State election, the State list and certification to the IRS, as an electronic submission is more efficient and timelier than paper submissions.

The Treasury Department and the IRS anticipate that the forthcoming proposed regulations would provide, consistent with § 25F(g)(1)(A), that the State list must include all organizations located in the State that have requested to be designated as an SGO and that meet the § 25F(c)(5) statutory requirements. However, the Treasury Department and the IRS do not anticipate that the forthcoming proposed regulations would prohibit an SGO from itself imposing additional governing provisions beyond the requirements imposed by § 25F(c)(5) unless such a provision would conflict with the ability of the SGO to satisfy such requirements.

The Treasury Department and the IRS anticipate that the forthcoming proposed regulations would provide that, if a donor makes a contribution to an organization that, at the time of the contribution, is on the list of organizations for that taxable year, the donor would generally be treated as having made a contribution to an SGO for purposes of § 25F. However, if the recipient organization is later determined not to qualify as an SGO, the IRS would not be precluded from disallowing a § 25F credit for any contribution made to that organization if the donor either was aware of, or was responsible to any extent for, the activities or deficiencies that gave rise to the organization's eventual loss of SGO status.

.03 *Contents of State certification*. The Treasury Department and the IRS interpret § 25F(g) as requiring each covered State to verify that each organization on the State's list satisfies all of the requirements of § 25F(c)(5). The Treasury Department and the IRS also understand that organizations seeking to satisfy the requirements to be an SGO for purposes of § 25F may be structured and/or operated in different ways. Specifically, some organizations may operate entirely within a single State, and some may raise funds and award scholarships to eligible students in a region consisting of multiple States. The forthcoming proposed regulations would require covered States to verify information about each of these types of organizations that qualify as an SGO. Reliance by a covered State on self-certifications by SGOs would not be sufficient for this purpose. The Treasury Department and the IRS anticipate that the annual certification of the State's list that would be required of each covered State would include certification by the individual who, or an authorized representative of the agency or entity that, has authority to perform this function on behalf of the State, under penalties of perjury, of at least the following information:

(1) *Identification and contact information*: The name, IRS employer identification number (EIN), address, and telephone number of each organization on the State list; the name, title and contact information of the covered State's point of contact for this credit; and the identification of each organization as a State or multistate organization.

(2) *Federal tax-exempt status*: That each organization on the State list is currently described in § 501(c)(3) and exempt from tax pursuant to § 501(a), and is not a private foundation, as defined in § 509.

(3) *No co-mingling*: That each organization on the State list maintains one or more separate accounts exclusively for qualified contributions, as that term is defined in § 25F(c)(3), to prevent the co-mingling of qualified contributions with other amounts.

(4) *Information regarding single-State organizations*: If the organization is located solely in one State (single-State organization), then, in accordance with § 25F and any regulations thereunder, certification that the single-State organization:

(a) Provides scholarships to ten (10) or more students in that State who do not all attend the same school;

(b) Spends not less than ninety (90) percent of its income on scholarships for eligible students, as that term is defined in § 25F(c)(2);

(c) Does not provide scholarships for any expenses other than qualified elementary or secondary education expenses, as that term is defined in § 25F(c)(4);

(d) Selects students receiving scholarships only from among eligible students who reside in that State, and only from among eligible students who are members of a household for which the income does not exceed the amount established under § 25F(c)(2)(A), and by giving priority first to those who received a scholarship from the organization for the previous school year, and then those who have a sibling who received a scholarship from the organization for the previous school year;

(e) Does not earmark or set aside contributions for scholarships on behalf of any particular student; and

(f) Does not award a scholarship to any disqualified person, as defined for purposes of § 25F(d)(2).

(5) *Information regarding multistate organizations*: If the organization is not solely located in one State and grants scholarships in more than one State (multistate organization), then certification that the multistate organization:

(a) Funds scholarships to eligible students in the State providing the certification;

(b) Requires donors to designate the State, on whose State list the organization is named, in which their qualified contribution is to be used;

(c) Tracks and matches qualifying contributions that are designated by the donor to be spent within the State with scholarships to eligible students within the State; and

(d) Satisfies each of the requirements for single-State organizations in the State, as set forth in section 3.03(4) of this notice.

(6) State policies and procedures: That the State has adopted, and is complying with, policies and procedures designed to enable the State to make its own independent determination that each organization on the State list is required by the organization's organizational documents or bylaws to satisfy, and is operating in a manner that satisfies, each of the requirements of § 25F(c)(5), as provided in section 2.03 of this Notice. With respect to a State's independent determination that an organization is described in § 501(c)(3) and exempt from tax under § 501(a), and is not a private foundation, policies and procedures that include, for example, consideration of whether the organization is identified as an exempt organization with 501(c)(3) status (and not a private foundation) in the EO BMF Extract available on irs.gov (https://www.irs.gov/charities-non-profits/exempt-organizations-business-master-file-extract-eo-bmf) would be sufficient for purposes of § 25F(c)(5)(A).

(7) *Notification to the IRS of removal from State list*: That the State will promptly notify the IRS of any determination by the State that an organization listed on its State list is being removed from its State list and the effective date of removal.

(8) *Applicable State tax credits*: If applicable, that, for the calendar year for which the State list is submitted to the IRS, the State offers a tax credit for qualified contributions pursuant to State law, and a description of that credit including relevant State statutes, regulations, and other authoritative guidance.

(9) *Authority to act on behalf of State*: That the individual, agency, or entity submitting the election, the list, and these certifications on behalf of the State has the authority to perform this function.

.04 *Request for comments on State policies and procedures*. Section 25F(g) requires that a State that voluntarily elects to participate under § 25F must provide to the Secretary a list of the SGOs "that meet the requirements" described in § 25F(c)(5) and are located in the State. The Treasury Department and the IRS anticipate that States will be required to have implemented, and to comply with, various procedures to verify that the required information submitted by the covered State is accurate and complete.

(1) What types of uniform policies, procedures, recordkeeping or other requirements would be reasonable to help ensure that a State will be able to reliably verify that each SGO meets each of the requirements in § 25F(c)(5)?

(2) For States already participating in State-level programs similar to § 25F, how do those States determine that organizations are meeting the applicable State requirements?

.05 *Request for comments on "located in the State*." Section 25F(g)(1)(A) requires the State list to identify the SGOs that meet the requirements described in § 25F(c)(5) and are "located in the State."

(1) How should "located" be defined for this purpose? Should organizations that are authorized to operate in the State be considered located in the State?

(2) For States that currently offer tax credits for contributions to scholarship awarding entities, are there jurisdictional or other similar nexus requirements that an organization must satisfy in order for contributions to the organization to qualify for the State tax credit?

.06 *Request for comments on State tax credit offset*. Section 25F(b)(2) requires that the amount of a § 25F credit allowed under § 25F must be reduced by the amount allowed as a State tax credit for qualified contributions made by the taxpayer during the taxable year. What information can a State provide to the IRS, consistent with applicable State law, to ensure taxpayer compliance with this requirement?

SECTION 4. REQUEST FOR COMMENTS REGARDING SGO REQUIREMENTS

.01 *Request for comments regarding income*. Section 25F(d)(1)(B) requires an SGO to spend "not less than 90 percent of the income of the organization on scholarships for eligible students." The Treasury Department and the IRS anticipate that the forthcoming proposed regulations would provide that the income of the organization includes all income of the organization, including unrelated business income, and is not limited to qualified contributions segregated in the separate account(s) described in § 25F(c)(5)(B).

(1) Does this interpretation of income pose practical challenges for SGOs? If so, what alternative interpretation would be allowed under the statute, and why would any alternative interpretation be a superior reading of the statute?

(2) Should forthcoming proposed regulations address potential fluctuations in income and expenses, such as potential start-up costs to the organization in its first year of operation or the smoothing of this calculation over a certain number of years?

.02 *Request for comments on multistate organizations*. The Treasury Department and the IRS are aware that organizations may fundraise and award scholarships in more than one State (see section 3.03(5) of this notice). However, § 25F(c)(3) requires that a qualifying contribution must be used to fund scholarships for eligible students "solely within the State in which the organization is listed."

(1) As noted above, the Treasury Department and the IRS anticipate that the forthcoming proposed regulations would require a multistate organization to ask donors to designate the State in which the donor intends the qualified contribution to be used. If a donor does not designate a particular State, what rules should apply?

(2) For a multistate organization, should the requirement that it provide scholarships to 10 or more students who do not all attend the same school apply with respect to scholarships provided by the organization in all states in the aggregate or on a state-by-state basis?

(3) For a multistate organization, should the requirement that it spend not less than 90 percent of its income on scholarships for eligible students apply with respect to the organization's operations in all states in the aggregate or on a state-by-state basis? If the latter, how should the organization's income be allocated for this purpose?

(4) For a multistate organization, should satisfaction of the following requirements be analyzed with respect to all states on whose State list it appears, or on a state-by-state basis:

(a) does not provide scholarships for any expenses other than qualified elementary or secondary education expenses,

(b) provides a scholarship to eligible students with a priority for students awarded a scholarship the previous school year, and then for any eligible students who have a sibling who was awarded a scholarship from such organization,

(c) does not earmark or set aside contributions for scholarships on behalf of any particular student,

(d) verifies the annual household income and family size of eligible students who apply for scholarships to ensure the annual household income of such students does not exceed 300 percent of area median gross income (as such term is used in § 42), and limits the awarding of scholarships to eligible students who are a member of a household whose income does not exceed such income limit, and

(e) does not engage in self-dealing?

.03 *Request for comments on other fact patterns.* The Treasury Department and the IRS are aware that there currently are organizations operating in other ways or under other fact patterns that may wish to qualify as SGOs. For example, there currently are "fundraising organizations" raising funds to provide scholarships that, instead of awarding scholarships themselves, make distributions to other organizations that may be defined as SGOs. In addition, there are organizations that operate in States with State tax credits similar to the § 25F credit that may want to qualify as SGOs described in § 25F(c)(5) but currently have structures or operations not expressly addressed in this notice. The Treasury Department and the IRS request additional information regarding such organizations and whether they could satisfy all of the requirements of § 25F(c)(5).

.04 *Request for comments on definition of disqualified person*. Section 25F(d)(2) prohibits an SGO from awarding a scholarship to any "disqualified person" and provides that, for this purpose, a disqualified person is determined pursuant to rules similar to the rules of § 4946 (relating to private foundations). Section 4946 provides that "substantial contributors" to a private foundation are considered disqualified persons. For purposes of § 4946, a "substantial contributor" includes any person that made contributions during the taxable year in the aggregate of at least $5,000, if that amount is more than 2 percent of the total contributions the foundation or organization received from its inception through the end of the taxable year in which that person's contributions were received.

(1) The Treasury Department and the IRS are considering whether the forthcoming proposed regulations should propose to modify this definition, for purposes of § 25F, to state that the term "substantial contributor," with respect to an SGO, means any person who contributed an aggregate amount of more than 2 percent of the total contributions received by the SGO from its inception through the end of the taxable year in which that person's contributions were received. The Treasury Department and the IRS request comments on this potential definition and whether any alternative interpretation would be a superior reading of the statute.

(2) The Treasury Department and the IRS expect that the forthcoming proposed regulations would provide that an individual who is a member of the SGO's selection committee, or part of the immediate family of such a member, is a disqualified person with respect to that SGO. Under what circumstances should such an individual not be considered a disqualified person for purposes of the § 25F credit?

.05 *Request for comments on reporting and recordkeeping requirements.*

(1) Pursuant to the authority provided by § 25F(h), the Treasury Department and the IRS anticipate issuing guidance that would require organizations seeking to satisfy the requirements to be an SGO to report certain information to the IRS and to retain certain records to ensure that the requirements of § 25F are met.

This required reporting and recordkeeping may include the following information:

(a) Information on an IRS form or schedule pertaining to § 25F to be filed annually by the organization with the IRS;

(b) Information on each qualified contribution received by the organization, including the donor's taxpayer identification number, to facilitate comparison with the donor's Federal tax credit claimed; and

(c) Information on each scholarship recipient awarded a scholarship by the organization, to ensure that each recipient meets the requirements of § 25F.

(2) These reporting requirements would apply to charitable organizations seeking to satisfy the requirements to be an SGO that may not normally be required under § 6033 to file an annual return with the IRS. These reporting requirements also would apply to subordinate organizations recognized as tax-exempt under § 501(c)(3) on the basis of a group exemption letter issued to a central organization.

(a) How should reporting and recordkeeping requirements be designed to balance the IRS's need for information for Federal income tax administration purposes with the burden imposed on the reporting organizations?

(b) Is there any current reporting by such organizations of such information to States, and, if so, what is reported and what form does the reporting take?

(c) Under what circumstances, if any, would relief from these requirements be justified?

(3) Section 25F(c)(2)(A) defines an "eligible student" as an individual who is a member of a household with an income that, for the calendar year prior to the date of the application for a scholarship, is not greater than 300 percent of the area median gross income (as such term is used in § 42). How should an SGO verify this information? For example, should the SGO require the eligible student to provide a copy of the most recently filed Federal income tax return (Form 1040, *U.S. Individual Income Tax Return*) that was filed for each member of the household with a Federal tax return filing requirement? Should additional information be required? If any member of the household of the eligible student did not have a Federal return filing requirement, how should the SGO verify such household member's income?

(4) Section 25F(c)(5)(B) prohibits an SGO from co-mingling qualified contributions with other amounts and requires that it maintain one or more separate accounts exclusively for qualified contributions.

(a) At the time of a donation, what kind of information would allow the SGO to determine that the cash is intended to be a qualified contribution entitling the donor to a credit under § 25F that thus needs to be segregated?

(b) Should the donor be required to provide this information to the SGO in order to take the § 25F credit?

(c) Should the SGO be required to provide the donor with written substantiation in order for the donor to take the § 25F credit?

(5) What information should an SGO be required to provide to its donor?

(a) Should the SGO be required to inform the donor that only the first $1,700 of qualified contributions to SGOs may entitle the donor to a § 25F credit?

(b) Should the SGO be required to inform the donor that additional amounts over the first $1,700 may qualify for a Federal tax deduction under § 170 (but that any qualified contribution for which a § 25F credit is allowed may not be taken into account as a charitable contribution for purposes of § 170)?

(c) Should the SGO be required to inform the donor that any § 25F credit must be reduced by any credit on any State tax return of the taxpayer for qualified contributions made by the taxpayer during the taxable year. If so, when should the SGO be required to inform the donor of the requirement to reduce the § 25F credit by any such State credit?

(6) For a multistate organization (see sections 3.03(5) and 4.02 of this notice), what types of reporting and recordkeeping requirements could allow the organization to demonstrate that it satisfies, for each State on whose State list it appears, the requirements of § 25F(c)(5), including that at least 90 percent of its income allocated to a State is spent on scholarships within that State?

(7) For multistate organizations, if such an organization could be eligible to be listed on one or more State lists as an SGO, what recordkeeping or other requirements could allow such an organization to establish that contributions to it qualify as contributions to an SGO defined in § 25F(c)(5)?

SECTION 5. SUBMISSION OF COMMENTS

.01 Written comments should be submitted on or before December 26, 2025. Consideration will be given, however, to any written comment submitted after December 26, 2025, if such consideration will not delay the issuance of guidance. The subject line for the comments should include a reference to Notice 2025-70. Comments may be submitted in one of two ways:

(1) Electronically via the Federal eRulemaking Portal at www.regulations.gov (type IRS-2025-0466 in the search field on the regulations.gov homepage to find this notice and submit comments).

(2) Alternatively, by mail to: Internal Revenue Service, CC:PA:01:PR (Notice 2025-70), Room 5503, P.O. Box 7604, Ben Franklin Station, Washington, DC 20044.

.02 All commenters are strongly encouraged to submit comments electronically. The Treasury Department and the IRS will publish for public availability any comment submitted electronically, or on paper, to its public docket on www.regulations.gov.

SECTION 6. DRAFTING INFORMATION

The principal author of this notice is Edward Waters of the Office of the Associate Chief Counsel (Income Tax & Accounting). However, other personnel from the Treasury Department and the IRS participated in its development. For further information regarding this notice, please contact Mr. Waters at (202) 317-7009 (not a toll-free number).

Interim Guidance Regarding Interest on Loans Secured by Rural or Agricultural Real Property under Section 139L of the Internal Revenue Code

Notice 2025-71

SECTION 1. OVERVIEW

This notice announces that the Department of the Treasury (Treasury Department) and the Internal Revenue Service (IRS) intend to publish a notice of proposed rulemaking (forthcoming proposed regulations) addressing the exclusion of interest on loans secured by rural or agricultural real property under § 139L of the Internal Revenue Code (Code).[1] Section 139L was added to the Code by Public Law 119-21, 139 Stat. 72 (July 4, 2025), commonly known as the One, Big, Beautiful Bill Act (OBBBA). The Treasury Department and the IRS intend to propose rules in the forthcoming proposed regulations similar to the interim guidance provided in section 3 of this notice. Taxpayers may rely on the interim guidance in section 3 of this notice in accordance with section 4 of this notice. Section 5 of this notice requests comments on issues addressed in this notice and certain additional issues, as well as other issues on which taxpayers believe guidance would be helpful.

SECTION 2. BACKGROUND

.01 *Partial exclusion for certain interest income*.

(1) *Overview*. Section 139L(a) excludes from gross income 25 percent of the interest received by a qualified lender on any qualified real estate loan.

(2) *Qualified lender*. For purposes of § 139L, § 139L(b) defines the term *qualified lender* to mean--

(a) any bank or savings association the deposits of which are insured under the Federal Deposit Insurance Act (12 U.S.C. 1811 et seq.);

(b) any State- or federally-regulated insurance company;

(c) any entity wholly owned, directly or indirectly, by a company that is treated as a bank holding company for purposes of section 8 of the International Banking Act of 1978 (12 U.S.C. 3106) if such entity is organized, incorporated, or established under the laws of the United States or any State, and the principal place of business of such entity is in the United States (including any territory of the United States);

(d) any entity wholly owned, directly or indirectly, by a company that is considered an insurance holding company under the laws of any State if such entity is organized, incorporated, or established under the laws of the United States or any State, and the principal place of business of such entity is in the United States (including any territory of the United States); and

(e) with respect to interest received on a qualified real estate loan secured by real property which is substantially used for the production of one or more agricultural products, any federally chartered instrumentality of the United States established under section 8.1(a) of the Farm Credit Act of 1971 (12 U.S.C. 2279aa-1(a)).

(3) *Qualified real estate loan*.

(a) *In general*. For purposes of § 139L, § 139L(c)(1) defines a *qualified real estate loan* as any loan secured by rural or agricultural real estate, or a leasehold mortgage (with a status as a lien) on rural or agricultural real estate; made to a person other than a specified foreign entity (as defined in § 7701(a)(51)); and made after the date of the enactment of § 139L (July 4, 2025). The determination of whether a property securing a loan is rural or agricultural real estate must be made as of the time the interest income on such loan is accrued.

(b) *Refinancings*. Pursuant to § 139L(c)(2), a loan is not treated as made after the date of the enactment of § 139L to the extent that the proceeds of such loan are used to refinance a loan which was made on or before the date of the enactment of § 139L (or, in the case of any series of refinancings, the original loan was made on or before such date).

(c) *Rural or agricultural real estate*. For purposes of § 139L, § 139L(c)(3) defines the term *rural or agricultural real estate* as any real property which is substantially used for the production of one or more agricultural products; any real property which is substantially used in the trade or business of fishing or seafood processing; and any aquaculture facility. Such term does not include any property which is not located in a State or a possession of the United States.

(d) *Aquaculture facility*. Section 139L(c)(4) defines the term *aquaculture facility* to mean any land, structure, or other appurtenance that is used for aquaculture (including any hatchery, rearing pond, raceway, pen, or incubator).

.02 *Effective date*. Section 139L applies to taxable years ending after July 4, 2025 (that is, the date of the enactment of the OBBBA).

SECTION 3. INTERIM GUIDANCE REGARDING THE APPLICATION OF § 139L

.01 *Purpose of this notice*. The Treasury Department and the IRS are issuing this notice to provide interim guidance regarding the application of § 139L prior to the publication of the forthcoming proposed regulations.

.02 *Defined terms*. Any term not defined in this notice has the meaning provided in § 139L. For purposes of this notice:

(1) *Interest received*. The term *interest received* means the interest, including amounts treated as interest under the Code, that is includible in gross income by a qualified lender. For purposes of the preceding sentence, the amount of interest includible in gross income by a qualified lender is determined without regard to § 139L, and the time at which interest is includible in gross income is determined under the qualified lender's overall method of accounting (for example, the cash receipts and disbursements method of accounting or an accrual method of accounting) or, if applicable, under a special method of accounting (for example, § 1272 for original issue discount).

(2) *Pre-enactment loan*. The term *pre-enactment loan* means any debt

[1] Unless otherwise specified, all "section" or "§" references are to sections of the Code or the Income Tax Regulations (26 CFR part 1).

instrument with an issue date (within the meaning of § 1.1273-2) on or before July 4, 2025, or in the case of a refinancing or any series of refinancings, any debt instrument for which the issue date of the original loan was on or before July 4, 2025.

(3) *Qualified rural or agricultural property*. The term *qualified rural or agricultural property* means rural or agricultural real estate or a leasehold mortgage (with a status as a lien) on rural or agricultural real estate.

.03 *Interest received by a qualified lender under § 139L(a)*.

(1) *Allocation of exclusion*. For purposes of applying § 139L(a), a qualified lender excludes from gross income 25 percent of the interest received on a qualified real estate loan in a taxable year and includes in gross income 75 percent of the interest received on a qualified real estate loan in the taxable year.

(2) *No origination requirement*. A qualified lender is not required to have been the original holder of a qualified real estate loan on the issue date of the qualified real estate loan in order to exclude interest income under § 139L(a). For example, a qualified lender may include a subsequent holder of a qualified real estate loan, if the subsequent holder is a qualified lender.

.04 *Qualified real estate loan*.

(1) *Determining whether a loan is secured by qualified rural or agricultural property*.

(a) A qualified real estate loan is secured by qualified rural or agricultural property only if, at the time interest income on such loan accrues, the qualified lender holds a valid and enforceable security interest with respect to the qualified rural or agricultural property under applicable law.

(b) Subject to the safe harbor described in section 3.04(2) of this notice, the amount of a loan that is a qualified real estate loan is limited to the fair market value of the qualified rural or agricultural property securing the loan, determined as of the issue date of the loan. If the amount of the loan, that is, the issue price of the loan, exceeds the fair market value of the qualified rural or agricultural property securing the loan, determined as of the issue date of the loan, only the portion of the loan that does not exceed such value is a qualified real estate loan. For example, if, on the issue date of a loan, the loan is secured by qualified rural or agricultural property with a fair market value of $10x and the amount of the loan is $100x, then only $10x of the loan is a qualified real estate loan.

(c) A qualified lender that is a subsequent holder may apply section 3.04(1)(b) of this notice either based on the fair market value of the qualified rural or agricultural property securing the loan and the issue price of the loan on the issue date, or based on the fair market value of such property and the adjusted issue price of the loan on the date the qualified lender acquires the loan.

(2) *Safe harbor for determining whether a loan is secured by qualified rural or agricultural property*.

(a) Notwithstanding section 3.04(1) of this notice, a qualified lender may treat a loan as fully secured by qualified rural or agricultural property for purposes of § 139L(c) if the terms of the loan provide the qualified lender an interest described in section 3.04(1)(a) of this notice with respect to the property and the fair market value of the qualified rural or agricultural property securing the loan is at least 80 percent of the issue price of the loan on the issue date. For example, if, on the issue date of a loan, the loan is secured by qualified rural or agricultural property with a fair market value of $85x and the issue price of the loan is $100x, then the entire loan is treated as a qualified real estate loan.

(b) A qualified lender that is a subsequent holder may apply section 3.04(2)(a) of this notice either based on the fair market value of the qualified rural or agricultural property securing the loan and the issue price of the loan on the issue date, or based on the fair market value of such property and the adjusted issue price of the loan on the date the qualified lender acquires the loan.

(3) *Determining fair market value*.

(a) For purposes of this section 3.04, a qualified lender may determine the fair market value of property by using any commercially reasonable valuation method. A commercially reasonable valuation method includes a method the qualified lender uses in the ordinary course of its trade or business for valuing property that secures loans. A commercially reasonable valuation method may take into account expectations regarding the rural or agricultural real estate's production of income from the activities conducted on such real estate, as described in § 139L(c)(3). For example, a qualified lender's commercially reasonable valuation method may take into account the value of crops on or the projected income from harvesting crops on the rural or agricultural real estate securing the loan.

(b) For purposes of this section 3.04, a qualified lender may, subject to the limitation in the following sentence, add to the fair market value of the rural or agricultural real estate the fair market value of any personal property used in the course of the activities conducted on such real estate, as described in § 139L(c)(3), such as farm equipment and machinery or livestock. A qualified lender may include the value of personal property in such determination only if the qualified lender holds a valid and enforceable security interest with respect to such personal property under applicable law, and only if the relevant loan is secured to a substantial extent by rural or agricultural real estate. For example, if real property substantially used for the production of corn is valued at $500x, and farm equipment and machinery used for the production of corn on such real property is valued at $50x, the total value that may be used to determine the fair market value of the qualified rural and agricultural property for purposes of section 3.04(1) and (2) of this notice would be $550x.

(4) *Subsequent fair market value testing not required*. For purposes of section 3.04(1) and (2) of this notice, so long as the qualified real estate loan continues to be secured by the qualified rural or agricultural property and there is not a subsequent significant modification of such loan under § 1.1001-3, retesting of the fair market value of such property other than on the relevant date provided by section 3.04(1) or (2) of this notice is not required.

(5) *Reasonable belief*. If a qualified lender initially determined a loan was secured by qualified rural or agricultural property under section 3.04(1) or (2) of this notice, and reasonably believes in good faith that the loan continues to be so secured, then the qualified lender may rely on that initial determination at the time interest income on such loan accrues

for purposes of § 139L(c) and this section 3.04. A reasonable, good-faith belief exists only if the qualified lender reasonably believes in good faith both that the security interest remains in place and that the rural or agricultural real estate continues to be used in a manner that qualifies it as rural or agricultural real estate. A qualified lender may base this reasonable, good-faith belief on covenants or other certifications made by the borrower of the loan or other parties that have actual knowledge or reason to know that the loan is secured by qualified rural or agricultural property.

(6) *Later discovery that a loan is not secured under § 139L(c)*.

(a) Except as provided in section 3.04(6)(b) of this notice, if, despite the qualified lender's previous reasonable, good-faith belief described in section 3.04(5) of this notice, the qualified lender, on a later date, learns or has reason to believe that a loan is no longer secured by qualified rural or agricultural property, the loan will lose its status as a qualified real estate loan under § 139L on that date.

(b) A loan will be treated as not losing its status as a qualified real estate loan under section 3.04(6)(a) of this notice if the qualified lender, borrower, or other party causes the loan to be secured by qualified rural or agricultural property within 90 days following the date on which the qualified lender learns or has reason to believe that the loan is not secured by qualified rural or agricultural property.

(7) *Use of loan proceeds*. For purposes of section 3.04(1) or (2) of this notice, a borrower's use of loan proceeds does not affect whether a loan may be treated as a qualified real estate loan.

.05 *Refinancings, significant modifications, and pre-enactment loans*.

(1) *Partial refinancing*. For purposes of § 139L(c)(2), if the proceeds of a loan (new loan) are used in part to refinance a pre-enactment loan and in part for other purposes, the portion of the new loan used to refinance the pre-enactment loan is treated as made on or before July 4, 2025 (that is, the date of enactment of § 139L). The amount of the new loan that may be treated as a qualified real estate loan is limited to the portion of the new loan that exceeds the outstanding balance of the pre-enactment loan as of the date of the refinancing. In such case, a qualified lender must allocate the principal of the new loan between amounts used to refinance any pre-enactment loan and amounts borrowed for other purposes accordingly. Any payments of interest or principal on the new loan are allocated to the portion of the new loan that is a pre-enactment loan and the portion that may be a qualified real estate loan on a pro rata basis.

(2) *Significant modifications*. A significant modification within the meaning of § 1.1001-3 of a pre-enactment loan is treated as a refinancing of the pre-enactment loan for purposes of § 139L(c)(2).

(3) *Additional borrowings*. A borrowing after the date of the enactment of § 139L that is added to the principal amount of any pre-enactment loan or a borrowing after the date of enactment of § 139L pursuant to a line of credit or similar agreement entered into on or before the date of enactment that allows the borrower to borrow periodically under the agreement (post-enactment amount), is not treated as a pre-enactment loan to the extent of the post-enactment amount. For purposes of this section 3.05(3), the post-enactment amount does not include any amount that is used to refinance a pre-enactment loan. In cases where the outstanding principal includes both a pre-enactment loan and a post-enactment amount, a qualified lender must allocate the principal amount between the pre-enactment loan and the post-enactment amount and must allocate payments of principal or interest on a pro rata basis.

.06 *Use described in § 139L(c)(3)*. For purposes of § 139L(c)(3) and section 3.04(1) or (2) of this notice, the presence of a residence on qualified rural or agricultural property, or intermittent periods when such property is not used for the purposes described in § 139L(c)(3) due to seasonality, fallowing, or similar circumstances, does not prevent such property from being qualified rural or agricultural property as long as the property satisfies the substantial use requirement. By contrast, property with only minimal or incidental agricultural activity generally would not be considered to be used for the purposes described in § 139L(c)(3), including for this purpose a small personal garden, backyard beekeeping, and keeping chickens to produce eggs for household use.

SECTION 4. APPLICABILITY DATES

It is anticipated that the forthcoming proposed regulations will include proposed rules consistent with the interim guidance provided in section 3 of this notice and that the proposed regulations, when finalized, will apply for taxable years beginning after final regulations are published in the *Federal Register*. Taxpayers may rely on the interim guidance set forth in section 3 of this notice for loans made after July 4, 2025, and on or before the date that is 30 days after the forthcoming proposed regulations are published in the *Federal Register*.

SECTION 5. REQUEST FOR COMMENTS

.01 *Comments regarding § 139L*. The Treasury Department and the IRS request comments on the issues addressed in this notice as well as other issues on which taxpayers believe guidance would be helpful. The Treasury Department and the IRS also request comments on the following specific issues:

(1) To what extent should the forthcoming proposed regulations address the meaning of the terms *rural or agricultural real estate*, *real property*, *agricultural products*, *fishing or seafood processing*, or *aquaculture facility*? Should the forthcoming proposed regulations consider definitions and guidance relating to similar terms, including under § 2032A, § 1.199A-8, and § 1.856-10?

(2) To what extent should the forthcoming proposed regulations address whether property is substantially used for the production of one or more agricultural products, or in the trade or business of fishing or seafood processing? For example, are factors such as time spent, amount of land used, or revenue relevant, and to what extent should seasonality or periods of non-use be further considered?

(3) To what extent should the forthcoming proposed regulations address how the substantial use requirement applies to properties with mixed uses, such as farmland that is used to host events or other

non-agricultural activity, or properties that are also used (in whole or part) for personal purposes?

(4) How should the forthcoming proposed regulations address changes involving qualified rural or agricultural property following the issuance of a qualified real estate loan, including changes in the use of the property, changes to the property, or changes affecting the collateral of a loan?

(5) How should the forthcoming proposed regulations address how a qualified lender determines whether the loan remains secured by qualified rural or agricultural property?

(6) To what extent should the forthcoming proposed regulations address how § 139L applies in securitization structures, including a securitization involving a trust for which holders of trust certificates are treated as holding an interest in the underlying loan assets?

(7) To what extent should the forthcoming proposed regulations address § 139L(d), regarding the application of § 265 to any qualified real estate loan?

.02 *Procedures for submitting comments*.

(1) *Deadline*. Written comments should be submitted by January 20, 2026. Consideration will also be given to any written comment submitted after January 20, 2026, though such comments may not be considered in the development of the forthcoming proposed regulations if such consideration would delay the publication of the forthcoming proposed regulations.

(2) *Form and manner*. The subject line for the comments should include a reference to Notice 2025-71. All commenters are strongly encouraged to submit comments electronically. Comments may be submitted in one of two ways:

(a) electronically via the Federal eRulemaking Portal at https://www.regulations.gov (type IRS-2025-0400 in the search field on the https://www.regulations.gov homepage to find this notice and submit comments); or

(b) by mail to: Internal Revenue Service, CC:PA:01:PR (Notice 2025-71), Room 5503, P.O. Box 7604, Ben Franklin Station, Washington, D.C., 20044.

(3) *Publication of comments*. The Treasury Department and the IRS will publish for public availability any comment submitted electronically and on paper to the IRS's public docket on https://www.regulations.gov.

SECTION 6. DRAFTING AND CONTACT INFORMATION

The principal author of this notice is Matthew DeBenedetto of the Office of the Associate Chief Counsel (Financial Institutions & Products). For further information regarding this notice, please contact Mr. DeBenedetto at (202) 317-3998 (not a toll-free number).

Part IV

Certifications Issued for Round 1 of the Qualifying Advanced Energy Project Credit Allocation Program Under Section 48C(e)

Announcement 2025-22

This announcement discloses the first set of certifications from the period beginning March 29, 2024, through September 30, 2025, resulting from the Round 1 allocation of the qualifying advanced energy project credit provided by § 48C(e) of the Internal Revenue Code.

SECTION 1. QUALIFYING ADVANCED ENERGY PROJECT CREDIT

Notice 2023-18 established the program under § 48C(e)(1) of the Internal Revenue Code (Code) to allocate $10 billion of credits ($4 billion of which may be allocated only to projects located in certain energy communities) (§ 48C credits) for qualified investments in eligible qualifying advanced energy projects (§ 48C(e) program).

For purposes of § 48C credit allocations under the § 48C(e) program, § 48C(e)(4)(A) provides a base credit rate of 6 percent of the qualified investment (as defined in § 48C(b)). In the case of any project which satisfies the requirements of § 48C(e)(5)(A) and (6) (prevailing wage and apprenticeship requirements), § 48C(e)(4)(B) provides an alternative rate of 30 percent of the qualified investment.

The Treasury Department and the IRS provided two allocation rounds under the § 48C(e) program. For the first allocation round (Round 1) of the § 48C(e) program, which began on May 31, 2023, the IRS allocated $4 billion[1] of the § 48C credits with approximately $1.6 billion in § 48C credits allocated to projects located in certain energy communities. Section 70515 of Public Law 119-21, 139 Stat. 72, 276 (July 4, 2025), commonly known as the One, Big, Beautiful Bill Act (OBBBA) amended § 48C(e)(3)(C) to limit the availability of previously allocated § 48C credits that were subsequently revoked for future § 48C(e) program allocations.

SECTION 2. CERTIFICATION

Section 48C(e)(3)(B) provides that each applicant for certification has 2 years from the date of acceptance by the Secretary of the § 48C(e) application during which to provide to the Secretary evidence that the requirements of the certification have been met.

Section 48C(e)(7) provides that upon making a certification under § 48C(e), the Secretary is required to disclose publicly the identity of the applicant and the amount of the § 48C credit certified with respect to such applicant. This notice provides the identity of the taxpayer and the amount of the § 48C credits allocated to the taxpayer with respect to projects that have been allocated a § 48C credit and for which a certification was issued during the period beginning on March 29, 2024, the day that Round 1 allocation notification letters were issued, and ending on September 30, 2025, for Round 1 of the § 48C(e) program. The IRS will publish additional such notices annually for certifications issued during each successive 12-month period beginning on October 1, 2025.

Accordingly, the certifications issued to date for Round 1 of the § 48C(e) program are as follows:

Applicant	Amount
Power Brace LLC	$ 628,168.00
Hemlock Semiconductor Operations LLC	$ 86,400,000.00
Essex Furukawa Magnet Wire USA LLC	$ 11,520,000.00
JSW Steel USA Ohio, Inc.	$ 43,500,000.00
Pennsylvania Transformer Technology Inc.	$ 2,100,000.00
Voith Hydro Inc.	$ 5,826,254.00
Electric Hydrogen Co.	$ 18,348,108.00
Delta Star Inc.	$ 1,803,480.00
MP Magnetics LLC	$ 58,500,000.00
Beam Suntory Inc.	$ 9,495,900.00
Bekaert Corporation	$ 4,061,559.00
Electric Research and Manufacturing Cooperative Inc.	$ 4,762,743.00
American Battery Technology Company	$ 19,575,896.00

[1] The IRS allocated approximately $6 billion of the § 48C credits in the second allocation round (Round 2) of the § 48C(e) program. See Announcement 2025-23 in I.R.B. 2025-50.

SECTION 3. DRAFTING INFORMATION

The principal author of this announcement is Jean Elting Rowe of the Large Business and International Division. However, other personnel from the Treasury Department and Office of Associate Chief Counsel (Energy, Credits, and Excise Tax) participated in its development. For further information regarding this announcement, call (202) 317-5254 (not a toll-free number).

Certifications Issued for Round 2 of the Qualifying Advanced Energy Project Credit Allocation Program Under Section 48C(e)

Announcement 2025-23

This announcement discloses the first set of certifications from the period beginning January 10, 2025, through September 30, 2025, resulting from the Round 2 allocation of the qualifying advanced energy project credit provided by § 48C(e) of the Internal Revenue Code.

SECTION 1. QUALIFYING ADVANCED ENERGY PROJECT CREDIT

Notice 2023-18 established the program under § 48C(e)(1) of the Internal Revenue Code (Code) to allocate $10 billion of credits ($4 billion of which may be allocated only to projects located in certain energy communities) (§ 48C credits) for qualified investments in eligible qualifying advanced energy projects (§ 48C(e) program).

For purposes of § 48C credit allocations under the § 48C(e) program, § 48C(e)(4)(A) provides a base credit rate of 6 percent of the qualified investment (as defined in § 48C(b)). In the case of any project which satisfies the requirements of § 48C(e)(5)(A) and (6) (prevailing wage and apprenticeship requirements), § 48C(e)(4)(B) provides an alternative rate of 30 percent of the qualified investment.

The Treasury Department and the IRS provided two allocation rounds under the § 48C(e) program. For the second allocation round (Round 2) of the § 48C(e) program, which began on May 22, 2024, the IRS allocated approximately $6 billion[1] of the § 48C credits with approximately $2.5 billion in § 48C credits allocated to projects in designated energy communities. Section 70515 of Public Law 119-21, 139 Stat. 72, 276 (July 4, 2025), commonly known as the One, Big, Beautiful Bill Act (OBBBA), amended § 48C(e)(3)(C) to limit the availability of previously allocated § 48C credits that were subsequently revoked for future § 48C(e) program allocations.

SECTION 2. CERTIFICATION

Section 48C(e)(3)(B) provides that each applicant for certification has 2 years from the date of acceptance by the Secretary of the § 48C(e) application during which to provide to the Secretary evidence that the requirements of the certification have been met.

Section 48C(e)(7) provides that upon making a certification under § 48C(e), the Secretary is required to disclose publicly the identity of the applicant and the amount of the § 48C credit certified with respect to such applicant. This notice provides the identity of the taxpayer and the amount of the § 48C credits allocated to the taxpayer with respect to projects that have been allocated a § 48C credit and for which a certification was issued during the period beginning on January 10, 2025, the day that Round 2 allocation notification letters were issued, and ending on September 30, 2025, for Round 2 of the § 48C(e) program. The IRS will publish additional such notices annually for certifications issued during each successive 12-month period beginning on October 1, 2025.

Accordingly, the certifications issued to date for Round 2 of the § 48C(e) program are as follows:

Taxpayer	Amount of Credit Certified
Ozinga Cement, Inc.	$ 14,930,597.75
Tesla, Inc.	$ 240,289,310.00

SECTION 3. DRAFTING INFORMATION

The principal author of this announcement is Jean Elting Rowe of the Large Business and International Division. However, other personnel from the Treasury Department and the Office of Associate Chief Counsel (Energy, Credits, and Excise Tax) participated in its development. For further information regarding this announcement, call (202) 317-5254 (not a toll-free number).

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[1] The IRS allocated approximately $4 billion of the § 48C credits in the first allocation round (Round 1) of the § 48C(e) program. See Announcement 2025-22 in I.R.B. 2025-50.

Announcement of Disciplinary Sanctions From the Office of Professional Responsibility

Announcement 2025-29

The Office of Professional Responsibility (OPR) announces recent disciplinary sanctions imposed on attorneys, certified public accountants, enrolled agents, enrolled actuaries, enrolled retirement plan agents, and appraisers. The OPR also announces when certain unenrolled, unlicensed tax return preparers (individuals who are not enrolled to practice before the Internal Revenue Service (IRS) and are not licensed as attorneys or certified public accountants) have been disciplined. Licensed or enrolled practitioners are subject to the regulations governing practice before the IRS, which are set out in Title 31, Code of Federal Regulations, Subtitle A, Part 10, and which are released as Treasury Department Circular No. 230. The regulations prescribe the duties and restrictions relating to such practice and prescribe the disciplinary sanctions for violating the regulations. Unenrolled/unlicensed return preparers who choose to participate in the IRS's voluntary Annual Filing Season Program (AFSP) are subject to the guidance in Revenue Procedure 2014-42, which governs a preparer's eligibility to represent taxpayers before the IRS in examinations of tax returns the preparer both prepared for the taxpayer and signed as the preparer. Additionally, unenrolled/unlicensed return preparers who participate in the AFSP agree to be subject to the duties and restrictions in Circular 230, including the restrictions on incompetence or disreputable conduct.

The disciplinary sanctions imposed for violation of the applicable standards are:

Disbarred from practice before the IRS—An individual who is disbarred is not eligible to practice before the IRS as defined at 31 C.F.R. § 10.2(a)(4) for a minimum period of five (5) years and until reinstated to practice.

Suspended from practice before the IRS—An individual who is suspended is not eligible to practice before the IRS as defined at 31 C.F.R. § 10.2(a)(4) during the term of the suspension and until reinstated to practice.

Censured—Censure is a public reprimand. Unlike disbarment or suspension, censure does not affect an individual's eligibility to practice before the IRS, but the OPR may subject the individual's future practice rights to conditions designed to promote high standards of conduct.

Monetary penalty—A monetary penalty may be imposed on an individual who engages in conduct subject to sanction, or on an employer, firm, or other entity if the individual was acting on its behalf and it knew, or reasonably should have known, of the individual's conduct.

Disqualification of appraiser—An appraiser who is disqualified is barred from presenting evidence or testimony in any administrative proceeding before the Department of the Treasury or the IRS. Additionally, any appraisal made by the disqualified appraiser after the effective date of disqualification will not have any probative effect in any administrative proceeding before the Treasury Department or the IRS.

Ineligible for limited practice—An unenrolled/unlicensed tax return preparer who participates in the AFSP and who fails to comply with Circular 230 as required by Revenue Procedure 2014-42 may have their AFSP credential revoked and may be determined ineligible to engage in future limited practice under the program as a representative of a taxpayer.

Under the regulations, individuals subject to Circular 230 may not assist, or accept assistance from, individuals who are suspended or disbarred with respect to matters constituting practice (*i.e.*, representation) before the IRS, and they may not aid or abet suspended or disbarred individuals to practice before the IRS.

Disciplinary sanctions are described in these terms:

Disbarred by decision, Suspended by decision, Censured by decision, Monetary penalty imposed by decision, and Disqualified by decision (including after a hearing)—An administrative law judge (ALJ), upon the OPR's complaint alleging violation of the regulations, issued a decision imposing one of these sanctions after the ALJ either (1) granted the government's motion for summary adjudication or (2) after conducting an evidentiary hearing. After 30 days from the issuance of the decision, in the absence of an appeal, the ALJ's decision becomes the final agency decision.

Disbarred by default decision, Suspended by default decision, Censured by default decision, Monetary penalty imposed by default decision, and Disqualified by default decision—An ALJ, after finding that no answer to the OPR's complaint was filed or timely filed, granted the OPR's motion for a default judgment and issued a decision imposing one of these sanctions.

Disbarred by decision on appeal, Suspended by decision on appeal, Censured by decision on appeal, Monetary penalty imposed by decision on appeal, and Disqualified by decision on appeal—The decision of the ALJ was appealed to the agency's appellate authority, acting as the delegate of the Secretary of the Treasury, and the appellate authority issued a decision imposing one of these sanctions.

Disbarred by consent, Suspended by consent, Censured by consent, Monetary penalty imposed by consent, and Disqualified by consent—In lieu of a disciplinary proceeding being instituted or continued, an individual offered their consent to one of these sanctions (or a firm or other entity offered to consent to a monetary penalty) and the OPR accepted the offer and the parties entered into a consent agreement. Typically, an offer of consent will provide for: suspension for an indefinite term; conditions that the individual must observe during the suspension; and the individual's opportunity, after a stated number of months, to file with the OPR a petition for reinstatement affirming compliance with the terms of the consent agreement and affirming current fitness and eligibility to practice (*i.e.*, an active professional license or active enrollment status, with no intervening violations of the regulations).

Suspended indefinitely by decision in expedited proceeding, Suspended indefinitely by default decision in expedited proceeding—The OPR instituted an expedited proceeding for suspension (based on certain limited grounds, including loss of a professional license for cause, and criminal convictions) that resulted in suspension.

Determined ineligible for limited practice—There has been a final determination under Revenue Procedure 2014-42 that an unenrolled/unlicensed tax return preparer is not eligible for continued limited representation of taxpayers because the preparer violated standards of conduct prescribed in Circular 230 or failed to comply with any of the requirements described in the revenue procedure.

A practitioner who has been disbarred or suspended under 31 C.F.R. § 10.60, or suspended under § 10.82, or a disqualified appraiser may petition for reinstatement before the IRS after the expiration of 5 years following such disbarment, suspension, or disqualification (or immediately following the expiration of the suspension or disqualification period if shorter than 5 years). Reinstatement will not be granted unless the IRS is satisfied that the petitioner is not likely to engage thereafter in conduct contrary to Circular 230, and that granting such reinstatement would not be contrary to the public interest.

Reinstatement decisions are published at the individual's request, and described in these terms:

Reinstated to practice before the IRS—The OPR granted the individual's petition for reinstatement. The individual is eligible to practice before the IRS, or in the case of an appraiser, the individual is no longer disqualified.

The OPR has authority to disclose the grounds for disciplinary sanctions in these situations: (1) an ALJ or the Secretary's delegate on appeal has issued a final decision imposing a sanction; (2) the individual has settled a disciplinary case by signing the OPR's consent-to-sanction agreement admitting to one or more violations of the regulations and consenting to the disclosure of the admitted violations (for example, willful failure to file Federal income tax returns, lack of due diligence, conflict of interest, etc.); (3) that the OPR has issued a decision in an expedited proceeding for indefinite suspension; or (4) upon a final determination (including any decision on appeal) that an unenrolled/unlicensed return preparer is no longer eligible to represent taxpayers before the IRS under Revenue Procedure 2014-42.

Announcements of disciplinary sanctions appear in the Internal Revenue Bulletin at the earliest practicable date. The sanctions announced below are alphabetized first by state and second by the last names of the sanctioned individuals.

City & State	Name	Professional Designation	Disciplinary Sanction	Effective Date(s)
California				
Benicia	Singh, Barjinderjit	CPA	Suspended by default decision in expedited proceeding under 31 C.F.R. § 10.82(b)	Indefinite from August 15, 2025
Chino Hills	Zhong, John Z.	CPA/ Enrolled Agent		Reinstated to practice before the IRS, effective July 16, 2024
Colorado				
Englewood	Baird, Stephen	Attorney	Suspended by default decision in expedited proceeding under 31 C.F.R. § 10.82(b)	Indefinite from September 30, 2024
Iowa				
Atkins	Sweet, Kimberly S.	Enrolled Agent	Suspended by decision in expedited proceeding under 31 C.F.R. § 10.82(b)	Indefinite from September 9, 2025
Kansas				
Leawood	Renkemeyer, Troy D.	Attorney/ CPA	Suspended by decision in expedited proceeding under 31 C.F.R. § 10.82(b)	Indefinite from July 7, 2025
Wichita	Ayesh, Mark G.	Attorney/ CPA	Censured by consent for admitted violations of 31 C.F.R. § 10.51(a)(10)	Indefinite from June 21, 2023
New Jersey				
Avon by the Sea	Benkoil, James H.	CPA	Suspended by default decision in expedited proceeding under 31 C.F.R. § 10.82(b)	Indefinite from August 1, 2025

City & State	Name	Professional Designation	Disciplinary Sanction	Effective Date(s)
Englewood Cliffs	Sardis, Jack N.	CPA	Suspended by decision in expedited proceeding under 31 C.F.R. § 10.82(b)	Indefinite from August 1, 2025
Tennessee				
Signal Mountain	Frost, Jonathan D.	CPA	Suspended by default decision in expedited proceeding under 31 C.F.R. § 10.82(b)	Indefinite from September 30, 2024
Virginia				
Alexandria	Guilliams, Roger L.	CPA	Suspended by decision in expedited proceeding under 31 C.F.R. § 10.82(b)	Indefinite from September 30, 2024

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 List[1]

Bulletin 2025–50

Announcements:

Notices:

Proposed Regulations:

Proposed Regulations:—Continued

Revenue Procedures:

Revenue Rulings:

Treasury Decisions:

[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.

Finding List of Current Actions on Previously Published Items[1]

Bulletin 2025–50

[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

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