

INTERNAL REVENUE BULLETIN



HIGHLIGHTS OF THIS ISSUE

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

ADMINISTRATIVE

Rev. Proc. 2026-7, page 316.

Areas in which rulings will not be issued, Associate Chief Counsel (International).

ADMINISTRATIVE, INCOME TAX

Notice 2026-3, page 307.

Notice 2026-3 provides relief from the additions to tax under sections 6654 and 6655 for underpayment of estimated income tax, and assists in implementing section 70437 of the One, Big, Beautiful Bill Act, which added a new limited payment deferral election in section 1062(a) applicable in the case of a sale or exchange of qualified farmland property to a qualified farmer (qualified sale or exchange). In the interest of sound tax administration, the IRS will waive a portion of the addition to tax under sections 6654 and 6655 attributable to a qualified sale or exchange for which an election under section 1062(a) (section 1062 election) is properly made. The amount of the relief depends on the amount of tax the payment of which is deferred by the section 1062 election.

EMPLOYEE PLANS

Notice 2026-2, page 304.

This notice sets forth updates on the corporate bond monthly yield curve, the corresponding spot segment rates for November 2025 used under § 417(e)(3)(D), the 24-month average segment rates applicable for December 2025, and the 30-year Treasury rates, as reflected by the application of § 430(h)(2)(C)(iv).

Rev. Rul. 2026-1, page 299.

This revenue ruling provides tables of covered compensation under § 401(l)(5)(E) of the Internal Revenue Code and the Treasury Regulations thereunder, effective January 1, 2026.

Finding Lists begin on page ii.

Bulletin No. 2026-2
January 5, 2026

EMPLOYEE PLANS, INCOME TAX

Notice 2026-5, page 309.

This notice provides guidance on changes relating to health savings accounts (HSAs) enacted by Pub. L. 119-21, 139 Stat. 72 (July 4, 2025), commonly known as the One, Big, Beautiful Bill Act (OBBA). These changes generally expand the availability of HSAs under section 223 of the Internal Revenue Code (the Code). This notice provides answers to common questions related to these changes.

EMPLOYMENT TAX

Notice 2026-6, page 313.

Notice 2026-6 extends the transition period provided in Revenue Ruling 2025-4 for an additional year to calendar year 2026 for States administering paid family and medical leave (PFML) programs and employers participating in such programs. The Notice provides States and employers additional time to make the necessary changes to their systems to comply with the tax and information reporting responsibilities set forth in Revenue Ruling 2025-4.

INCOME TAX

Rev. Proc. 2026-6, page 314.

Rev. Proc. 2026-6 provides the exclusive procedure for a State to make an election to be a "covered state" prior to identifying scholarship granting organizations (SGOs) in the State in accordance with § 25F(g) 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 (Advance Election). Pursuant to this revenue procedure, if a State chooses to make an Advance Election, the State must submit Form 15714, Advance Election to Participate Under Section 25F for 2027, in accordance with section 4 and the Form 15714 instructions, on or after January 1, 2026, and before the final date on which the State is permitted to submit the list identifying SGOs (as will be specified in future guidance).

The IRS Mission

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

Introduction

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

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

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

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

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

The Bulletin is divided into four parts as follows:

Part I.—1986 Code.

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

Part II.—Treaties and Tax Legislation.

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

Part III.—Administrative, Procedural, and Miscellaneous.

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

Part IV.—Items of General Interest.

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

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

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Part I

Section 401.—Qualified Pension, Profit-Sharing, and Stock Bonus Plans

26 CFR 1.401(l)-1: Permitted disparity in employer-provided contributions or benefits

Rev. Rul. 2026-1

This revenue ruling provides tables of covered compensation under section 401(l)(5)(E) of the Internal Revenue Code for the 2026 plan year.

Section 401(l)(5)(E)(i) defines covered compensation with respect to an employee as the average of the contribution and benefit bases in effect under section 230 of the Social Security Act (“Act”) for each year in the 35-year period ending with the year in which the employee attains Social Security retirement age.

Section 401(l)(5)(E)(ii) of the Code states that the determination for any year preceding the year in which the employee

attains Social Security retirement age shall be made by assuming that there is no increase in covered compensation after the determination year and before the employee attains Social Security retirement age.

Section 1.401(l)-1(c)(34) of the Treasury Regulations (“Regulations”) defines the taxable wage base as the contribution and benefit base under section 230 of the Act.

Section 1.401(l)-1(c)(7)(i) of the Regulations defines covered compensation for an employee as the average (without indexing) of the taxable wage bases in effect for each calendar year during the 35-year period ending with the last day of the calendar year in which the employee attains (or will attain) Social Security retirement age. A 35-year period is used for all individuals regardless of the year of birth of the individual. In determining an employee’s covered compensation for a plan year, the taxable wage base for all calendar years beginning after the first day of the plan year is assumed to be the

same as the taxable wage base in effect as of the beginning of the plan year. An employee’s covered compensation for a plan year beginning after the 35-year period applicable under § 1.401(l)-1(c)(7)(i) is the employee’s covered compensation for a plan year during which the 35-year period ends. An employee’s covered compensation for a plan year beginning before the 35-year period applicable under § 1.401(l)-1(c)(7)(i) is the taxable wage base in effect as of the beginning of the plan year.

Section 1.401(l)-1(c)(7)(ii) provides that, for purposes of determining the amount of an employee’s covered compensation under § 1.401(l)-1(c)(7)(i), a plan may use tables, provided by the Commissioner, that are developed by rounding the actual amounts of covered compensation for different years of birth.

For purposes of determining covered compensation for the 2026 year, the taxable wage base is \$184,500.

The following tables provide covered compensation for 2026.

ATTACHMENT I

2026 UNROUNDED COVERED COMPENSATION TABLE

CALENDAR YEAR OF BIRTH	CALENDAR YEAR OF SOCIAL SECURITY RETIREMENT AGE	2026 COVERED COMPENSATION UNROUNDED
1907	1972	\$ 4,488
1908	1973	4,704
1909	1974	5,004
1910	1975	5,316
1911	1976	5,664
1912	1977	6,060
1913	1978	6,480
1914	1979	7,044
1915	1980	7,692
1916	1981	8,460
1917	1982	9,300
1918	1983	10,236
1919	1984	11,232
1920	1985	12,276

CALENDAR YEAR OF BIRTH	CALENDAR YEAR OF SOCIAL SECURITY RETIREMENT AGE	2026 COVERED COMPENSATION UNROUNDED
1921	1986	13,368
1922	1987	14,520
1923	1988	15,708
1924	1989	16,968
1925	1990	18,312
1926	1991	19,728
1927	1992	21,192
1928	1993	22,716
1929	1994	24,312
1930	1995	25,920
1931	1996	27,576
1932	1997	29,304
1933	1998	31,128
1934	1999	33,060
1935	2000	35,100
1936	2001	37,212
1937	2002	39,444
1938	2004	43,992
1939	2005	46,344
1940	2006	48,816
1941	2007	51,348
1942	2008	53,952
1943	2009	56,628
1944	2010	59,268
1945	2011	61,884
1946	2012	64,560
1947	2013	67,308
1948	2014	69,996
1949	2015	72,636
1950	2016	75,180
1951	2017	77,880
1952	2018	80,532
1953	2019	83,244
1954	2020	86,052
1955	2022	91,884
1956	2023	95,172
1957	2024	98,616
1958	2025	102,180
1959	2026	105,924
1960	2027	109,620
1961	2028	113,244
1962	2029	116,784
1963	2030	120,300

CALENDAR YEAR OF BIRTH	CALENDAR YEAR OF SOCIAL SECURITY RETIREMENT AGE	2026 COVERED COMPENSATION UNROUNDED
1964	2031	123,780
1965	2032	127,188
1966	2033	130,500
1967	2034	133,704
1968	2035	136,800
1969	2036	139,764
1970	2037	142,620
1971	2038	145,404
1972	2039	148,164
1973	2040	150,864
1974	2041	153,444
1975	2042	155,928
1976	2043	158,280
1977	2044	160,500
1978	2045	162,720
1979	2046	164,940
1980	2047	167,064
1981	2048	169,092
1982	2049	171,024
1983	2050	172,908
1984	2051	174,792
1985	2052	176,424
1986	2053	178,032
1987	2054	179,508
1988	2055	180,840
1989	2056	182,040
1990	2057	183,108
1991	2058	183,804
1992	2059	184,260
1993 and later	2060 and later	184,500

ATTACHMENT II

2026 ROUNDED COVERED COMPENSATION TABLE

CALENDAR YEAR OF BIRTH	2026 COVERED COMPENSATION ROUNDED
1937	\$ 39,000
1938 – 1939	45,000
1940	48,000
1941	51,000
1942	54,000
1943	57,000
1944	60,000
1945	63,000
1946 – 1947	66,000
1948	69,000
1949	72,000
1950	75,000
1951	78,000
1952	81,000
1953	84,000
1954	87,000
1955	93,000
1956	96,000
1957	99,000
1958	102,000
1959	105,000
1960	111,000
1961	114,000
1962	117,000
1963	120,000
1964	123,000
1965	126,000
1966	132,000
1967	135,000
1968	138,000
1969	141,000
1970 – 1971	144,000
1972	147,000
1973	150,000
1974	153,000
1975	156,000
1976	159,000
1977 – 1978	162,000
1979	165,000

CALENDAR YEAR OF BIRTH	2026 COVERED COMPENSATION ROUNDED
1980 – 1981	168,000
1982	171,000
1983 – 1984	174,000
1985 – 1986	177,000
1987 – 1988	180,000
1989 – 1990	183,000
1991 and later	184,500

DRAFTING INFORMATION

The principal author of this revenue ruling is Tom Morgan of the Office of

Associate Chief Counsel (Employee Benefits, Exempt Organizations, and Employment Taxes). However, other personnel from the Internal Revenue Service partici-

pated in the development of this guidance. For further information regarding this revenue ruling, contact Mr. Morgan at (202) 317-6700 (not a toll-free number).

Part III

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

Notice 2026-2

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

YIELD CURVE AND SEGMENT RATES

Section 430 specifies the minimum funding requirements that apply to single-employer plans (except for CSEC plans under § 414(y)) pursuant to § 412. Section

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

Section 1.430(h)(2)-1(d) provides rules for determining the monthly corporate bond yield curve,² and § 1.430(h)(2)-1(c) provides rules for determining the 24-month average corporate bond segment rates used to compute the target normal cost and the funding target. Consistent with the methodology specified in § 1.430(h)(2)-1(d), the monthly corporate bond yield curve derived from November 2025 data is in Table 2025-11 at the end of this notice. The spot first, second,

and third segment rates for the month of November 2025 are, respectively, 4.07, 5.15, and 6.01.

The 24-month average segment rates determined under § 430(h)(2)(C)(i) through (iii) must be adjusted pursuant to § 430(h)(2)(C)(iv) to be within the applicable minimum and maximum percentages of the corresponding 25-year average segment rates. Those percentages are 95% and 105% for plan years beginning in 2024, 2025 and 2026. For this purpose, any 25-year average segment rate that is less than 5% is deemed to be 5%. The 25-year average segment rates for plan years beginning in 2024, 2025 and 2026 were published in Notice 2023-66, 2023-40 I.R.B. 992, Notice 2024-67, 2024-41 I.R.B. 726 and Notice 2025-47, 2025-40 I.R.B. 441, respectively.

24-MONTH AVERAGE CORPORATE BOND SEGMENT RATES

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

Applicable Month	24-Month Average Segment Rates Without 25-Year Average Adjustment		
	First Segment	Second Segment	Third Segment
December 2025	4.61	5.26	5.70

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

24-month averages applicable for December 2025, adjusted to be within the applicable minimum and maximum percent-

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

Adjusted 24-Month Average Segment Rates				
For Plan Years Beginning In	Applicable Month	First Segment	Second Segment	Third Segment
2024	December 2025	4.75	5.26	5.70
2025	December 2025	4.75	5.26	5.70
2026	December 2025	4.75	5.25	5.70

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

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

30-YEAR TREASURY SECURITIES INTEREST RATES

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

this purpose must be no more than 5 percent above and no more than 10 percent below the weighted average of the rates of interest on 30-year Treasury securities during the four-year period ending on the last day before the beginning of the plan year. Notice 88-73, 1988-2 C.B. 383, provides guidelines for determining the weighted average interest rate. The rate of interest on 30-year Treasury securities for November 2025 is 4.70 percent. The Service determined this rate as the aver-

age of the daily determinations of yield on the 30-year Treasury bond maturing in August 2055 determined each day through November 12, 2025 and the yield on the 30-year Treasury bond maturing in November 2055 determined each day for the balance of the month. For plan years beginning in December 2025, the weighted average of the rates of interest on 30-year Treasury securities and the permissible range of rates used to calculate current liability are as follows:

For Plan Years Beginning In	<i>Treasury Weighted Average Rates</i>	
	30-Year Treasury Weighted Average	Permissible Range 90% to 105%
December 2025	4.32	3.89 to 4.54

MINIMUM PRESENT VALUE SEGMENT RATES

In general, the applicable interest rates

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

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

Month	<i>Minimum Present Value Segment Rates</i>		
	First Segment	Second Segment	Third Segment
November 2025	4.07	5.15	6.01

DRAFTING INFORMATION

The principal author of this notice is Tom Morgan of the Office of Associ-

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

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

Table 2025-11
 Monthly Yield Curve for November 2025
 Derived from November 2025 Data

<i>Maturity</i>	<i>Yield</i>								
0.5	3.98	20.5	5.69	40.5	6.05	60.5	6.18	80.5	6.24
1.0	3.98	21.0	5.71	41.0	6.05	61.0	6.18	81.0	6.24
1.5	3.98	21.5	5.73	41.5	6.06	61.5	6.18	81.5	6.24
2.0	3.99	22.0	5.74	42.0	6.06	62.0	6.18	82.0	6.24
2.5	4.02	22.5	5.76	42.5	6.06	62.5	6.18	82.5	6.24
3.0	4.05	23.0	5.77	43.0	6.07	63.0	6.19	83.0	6.25
3.5	4.10	23.5	5.78	43.5	6.07	63.5	6.19	83.5	6.25
4.0	4.15	24.0	5.79	44.0	6.08	64.0	6.19	84.0	6.25
4.5	4.21	24.5	5.81	44.5	6.08	64.5	6.19	84.5	6.25
5.0	4.27	25.0	5.82	45.0	6.09	65.0	6.19	85.0	6.25
5.5	4.34	25.5	5.83	45.5	6.09	65.5	6.20	85.5	6.25
6.0	4.41	26.0	5.84	46.0	6.09	66.0	6.20	86.0	6.25
6.5	4.48	26.5	5.85	46.5	6.10	66.5	6.20	86.5	6.25
7.0	4.55	27.0	5.86	47.0	6.10	67.0	6.20	87.0	6.25
7.5	4.62	27.5	5.87	47.5	6.10	67.5	6.20	87.5	6.26
8.0	4.69	28.0	5.88	48.0	6.11	68.0	6.20	88.0	6.26
8.5	4.76	28.5	5.88	48.5	6.11	68.5	6.21	88.5	6.26
9.0	4.82	29.0	5.89	49.0	6.11	69.0	6.21	89.0	6.26
9.5	4.89	29.5	5.90	49.5	6.12	69.5	6.21	89.5	6.26
10.0	4.95	30.0	5.91	50.0	6.12	70.0	6.21	90.0	6.26
10.5	5.00	30.5	5.92	50.5	6.12	70.5	6.21	90.5	6.26
11.0	5.06	31.0	5.93	51.0	6.13	71.0	6.21	91.0	6.26
11.5	5.11	31.5	5.94	51.5	6.13	71.5	6.22	91.5	6.26
12.0	5.16	32.0	5.94	52.0	6.13	72.0	6.22	92.0	6.26
12.5	5.21	32.5	5.95	52.5	6.14	72.5	6.22	92.5	6.27
13.0	5.25	33.0	5.96	53.0	6.14	73.0	6.22	93.0	6.27
13.5	5.30	33.5	5.96	53.5	6.14	73.5	6.22	93.5	6.27
14.0	5.34	34.0	5.97	54.0	6.14	74.0	6.22	94.0	6.27
14.5	5.37	34.5	5.98	54.5	6.15	74.5	6.22	94.5	6.27
15.0	5.41	35.0	5.99	55.0	6.15	75.0	6.23	95.0	6.27
15.5	5.44	35.5	5.99	55.5	6.15	75.5	6.23	95.5	6.27
16.0	5.47	36.0	6.00	56.0	6.15	76.0	6.23	96.0	6.27
16.5	5.50	36.5	6.00	56.5	6.16	76.5	6.23	96.5	6.27
17.0	5.53	37.0	6.01	57.0	6.16	77.0	6.23	97.0	6.27
17.5	5.56	37.5	6.02	57.5	6.16	77.5	6.23	97.5	6.27
18.0	5.58	38.0	6.02	58.0	6.16	78.0	6.23	98.0	6.28
18.5	5.61	38.5	6.03	58.5	6.17	78.5	6.24	98.5	6.28
19.0	5.63	39.0	6.03	59.0	6.17	79.0	6.24	99.0	6.28
19.5	5.65	39.5	6.04	59.5	6.17	79.5	6.24	99.5	6.28
20.0	5.67	40.0	6.04	60.0	6.17	80.0	6.24	100.0	6.28

Relief from Additions to Tax under Sections 6654 and 6655 for Underpayment of Estimated Income Tax by Taxpayers Making an Election under Section 1062

Notice 2026-3

SECTION 1. OVERVIEW

This notice provides relief from the additions to tax under sections 6654 and 6655 of the Internal Revenue Code (Code)¹ for underpayment of estimated income tax by a taxpayer that makes a valid election under section 1062(a) (section 1062 election).

SECTION 2. SCOPE

The relief provided in this notice applies for the purpose of calculating any installment of estimated income tax of a taxpayer that makes a valid section 1062 election, with respect to the taxable year of the sale or exchange of qualified farmland property that is the subject of the section 1062 election. The amount of the relief depends on the amount of income tax for which payment is deferred by the section 1062 election.

SECTION 3. BACKGROUND

.01 Section 1062.

(1) *Generally.* Section 70437 of Public Law 119-21, 139 Stat. 72 (2025), commonly known as the One, Big, Beautiful Bill Act (OBBBA), redesignated pre-OBBBA section 1062 as section 1063 and inserted a new section 1062. Section 1062(a) now allows a taxpayer who has gain from the sale or exchange of qualified farmland property to a qualified farmer (qualified sale or exchange) to elect (by making a section 1062 election) to pay the applicable net tax liability determined under section 1062(d)(1)(A) in four equal installments. Section

1062(b)(1) provides that, if a section 1062 election is made, the first installment must be paid on the due date (determined without regard to any extension of time for filing the return) for the return of tax for the taxable year in which the qualified sale or exchange occurs, and each succeeding installment must be paid on the due date (determined without regard to any extension of time for filing the return) for the return of tax for the taxable year following the taxable year with respect to which the preceding installment was made.

(2) *Applicable net tax liability.* Section 1062(d)(1)(A) defines “applicable net tax liability” with respect to a qualified sale or exchange as the excess (if any) of (i) such taxpayer’s net income tax for the taxable year, over (ii) such taxpayer’s net income tax for such taxable year determined without regard to any gain recognized from the qualified sale or exchange. Section 1062(d)(1)(A) defines “net income tax” for these purposes to mean the regular tax liability (as defined in section 26(b)) reduced by the credits allowed under subparts A, B, and D of part IV of subchapter A of chapter 1 of the Code.

(3) *Qualified farmland property.* Section 1062(d)(2)(A) defines the term “qualified farmland property” as real property located in the United States that (i) during substantially all of the 10-year period ending on the date of the qualified sale or exchange has been used by the taxpayer either as a farm for farming purposes or leased by the taxpayer to a qualified farmer for farming purposes, and (ii) is subject to a covenant or other legally enforceable restriction which prohibits the use of such property other than as a farm for farming purposes for 10 years after the date of the qualified sale or exchange. Section 1062(d)(2)(A) further provides that property that is used or leased by a partnership or S corporation is treated as used or leased by each person who holds a direct or indirect interest in such entity. Section 1062(d)(2)(B) provides that the terms “farm” and “farming purposes” have the respective meanings given such terms under section 2032A(e). See section 2032A(e)(4) and (5).

(4) *Qualified farmer.* Section 1062(d)(3) defines the term “qualified farmer” as any individual who is actively engaged in farming (within the meaning of 7 U.S.C. §§ 1308-1(b) and (c)).

(5) *Acceleration of payment.* Section 1062(b)(2)(A) provides that if there is an addition to tax for failure to timely pay any installment required under section 1062, then the unpaid portion of all remaining installments is due on the date of such failure. Additional circumstances, described in section 1062(b)(2)(B) and (C), may also accelerate the due date of unpaid installments.

(6) *Election procedures.* Section 1062(e) requires that a taxpayer making a section 1062 election include with the return for the taxable year of the qualified sale or exchange a copy of the covenant or other legally enforceable restriction described in section 1062(d)(2)(A)(ii). Forthcoming guidance will provide further instructions on how a taxpayer may properly make a section 1062 election.

.02 Section 6654.

(1) *Estimated income tax and liability for addition to tax.* Generally, the Code requires taxpayers to pay Federal income taxes as they earn income. To the extent these taxes are not withheld from wages or other income, a taxpayer normally must pay estimated income tax. Individual taxpayers who fail to make a sufficient or timely payment of estimated income tax are liable for an addition to tax under section 6654(a). With some exceptions, section 6654(l)(2) provides that the provisions of section 6654 generally apply to certain estates and trusts.

(2) *Quarterly payments of estimated income tax for most individual taxpayers.* Section 6654 provides that, in the case of an individual, estimated income tax is generally required to be paid in four installments, each in the amount of 25 percent of the required annual payment. Generally, under section 6654(d)(1)(B), the required annual payment is the lesser of (i) 90 percent of the tax shown on the return for the taxable year; or (ii) 100 percent of the tax shown on the return of the individual for the preceding taxable year (110 percent if the individual’s adjusted gross income

¹ Unless otherwise specified, all “section” references are to sections of the Code.

on the previous year's return exceeded \$150,000), provided that the preceding taxable year was 12 months in duration and the individual filed a return for that year. An individual taxpayer whose income varies during the taxable year may be able to use the annualized income installment method described in section 6654(d)(2) to determine estimated income tax liability as their income accumulates, rather than dividing the required annual payment by four as if the income were earned equally throughout the year. Generally, section 6654(d)(2)(B) allows an individual taxpayer to reduce the amount of estimated income tax installments that are due earlier in the year and increase the amount of estimated income tax installments that are due later in the year.

(3) *Due dates for installments of estimated income tax.* Pursuant to section 6654(c)(2), estimated income tax installments for an individual calendar-year taxpayer generally are due on April 15, June 15, and September 15 of the taxable year, and on January 15 of the following year. Pursuant to section 6654(k)(1), for an individual fiscal-year taxpayer, the due dates of installments of estimated income tax are determined by substituting corresponding months. Section 6654(h), (i), and (j) provides special rules regarding installment amounts and due dates for taxpayers described therein.

(4) *One annual payment of estimated income tax for qualifying farmers or fishermen.* Special rules apply in the case of an individual taxpayer who is a farmer or fisherman and satisfies the requirements of section 6654(i) for a taxable year (qualifying farmer or fisherman). Under section 6654(i)(1), a qualifying farmer or fisherman has only one required installment payment (instead of four quarterly payments) due on January 15 of the year following the taxable year if at least two-thirds of the taxpayer's total gross income was from farming or fishing in either that taxable year or the preceding taxable year. For a qualifying farmer or fisherman who does not make the required estimated income tax installment payment by January 15 of the year following the taxable year, section 6654(i)(1)(D) provides that the taxpayer is not subject to an addition to tax for failing to pay estimated income tax if the taxpayer files the return for the

taxable year and pays the full amount of tax reported on the return by March 1 of the year following the taxable year. The definition of "qualified farmer" under section 1062(d)(3) differs from the definition of "farmer or fisherman" under section 6654(i)(2). For purposes of section 6654, section 6654(i)(2) provides that an individual is a farmer or fisherman for any taxable year if (A) the individual's gross income from farming or fishing (including oyster farming) for the taxable year is at least 66 and 2/3 percent of the total gross income from all sources for the taxable year, or (B) the individual's gross income from farming or fishing (including oyster farming) shown on the return of the individual for the preceding taxable year is at least 66 and 2/3 percent of the total gross income from all sources shown on such return.

(5) *Exceptions to the addition to tax.* An individual taxpayer will not be subject to the addition to tax under section 6654(a) if an exception applies. Under section 6654(e)(1), no addition to tax will be imposed on an individual taxpayer if the taxpayer owes less than \$1,000 in tax, after subtracting tax withheld on wages. Under section 6654(e)(2), an individual will not be subject to an addition to tax if (i) the individual did not have any tax liability for the previous taxable year, (ii) the preceding taxable year was 12 months, and (iii) the individual was a citizen or resident of the United States throughout the preceding taxable year. Under section 6654(e)(3)(A), the addition to tax will not be imposed with respect to any underpayment to the extent the Secretary of the Treasury or the Secretary's delegate (Secretary) "determines that by reason of casualty, disaster, or other unusual circumstances the imposition of such addition to tax would be against equity and good conscience."

.03 *Section 6655.*

(1) *Estimated income tax and liability for addition to tax.* Section 6655(a) imposes an addition to tax for failure by a corporation to make a sufficient and timely payment of estimated income tax. Section 6655(c) and (d)(1)(A) generally provides that, in the case of a corporation, estimated income tax is required to be paid in four installments and the amount of any required installment is 25 percent

of the required annual payment. Generally, under section 6655(d)(1)(B), the required annual payment is the lesser of two amounts described in section 6655(d)(1)(B)(i) and (ii). The amount described in section 6655(d)(1)(B)(i) is 100 percent of the tax shown on the return for the taxable year. The amount described in section 6655(d)(1)(B)(ii) is 100 percent of the tax shown on the taxpayer's return for the preceding taxable year, so long as the preceding taxable year was twelve months long and the return for such year showed a liability for tax. However, pursuant to section 6655(d)(2), in the case of a large corporation (as defined under section 6655(g)(2)), the amount described in section 6655(d)(1)(B)(ii) may not be used to reduce the amount of an installment payment other than the first installment payment for the taxable year. A taxpayer that is a corporation with income that varies during the taxable year may be able to use the annualized income installment method or the adjusted seasonal installment method described in section 6655(e) to lower the amount of one or more required estimated income tax installments.

(2) *Due dates for installments of estimated income tax.* Pursuant to section 6655(c)(2), estimated income tax installments of a corporation that uses the calendar-year for its taxable year generally are due on April 15, June 15, September 15, and December 15 of the taxable year. Pursuant to section 6655(i), for a corporation that uses a fiscal year for its taxable year, the due dates of installments of estimated income tax are determined by substituting corresponding months. In special circumstances, other rules specified in section 6655 or elsewhere may also apply.

SECTION 4. LIMITED WAIVER OF ADDITION TO TAX

.01 *Reasons for waiver.* The Department of the Treasury (Treasury Department) and the Internal Revenue Service (IRS) are aware that taxpayers may be concerned that, in order to avoid the addition to tax under section 6654 or 6655 for failure to make a sufficient and timely payment of estimated income tax, they must pay the full amount of applicable net tax

liability, or a substantial portion of it, as estimated income tax for the taxable year of the qualified sale or exchange. Doing so would be contrary to the purpose of the section 1062 election, which is to allow payment of the liability in installments over four years. Without a limited waiver of the addition to tax, a taxpayer making a section 1062 election might be deprived of the full benefit of the provision.

.02 Limited Waiver.

In the interest of sound tax administration, the IRS will waive a portion of the addition to tax under sections 6654 and 6655 attributable to the qualified sale or exchange for which the section 1062 election is made for taxpayers who both qualify to make a section 1062 election and properly make a section 1062 election. The limited waiver applies with respect to the applicable net tax liability the payment of which is deferred by the section 1062 election. Accordingly, a taxpayer may exclude 75 percent of the applicable net tax liability (with respect to the qualified sale or exchange as to which the taxpayer has properly made the section 1062 election) from the calculation of the required annual payment for purposes of determining estimated income tax installment amounts for the taxable year of the qualified sale or exchange for which the section 1062 election is made. In determining the required annual payment for the taxable year of the qualified sale or exchange, the taxpayer must include the portion of the applicable net tax liability that is required to be paid on the due date of the income tax return for the taxable year of the qualified sale or exchange (25 percent of the applicable net tax liability with respect to the qualified sale or exchange as to which the taxpayer has properly made the section 1062 election).

A proper section 1062 election is a prerequisite to receiving the relief provided in this notice, but an acceleration of installment due dates under section 1062(b)(2) will not affect this waiver. The waiver will apply automatically to any taxpayer who qualifies for the waiver and does not self-report an addition to tax under section 6654 or 6655 on their income tax return for the taxable year of the qualified sale or exchange. A taxpayer who otherwise satisfies the criteria for relief under this notice, but who has

already filed an income tax return reporting an addition to tax under section 6654 or 6655, may request an abatement of the addition to tax by filing Form 843, *Claim for Refund and Request for Abatement* and noting “Abatement requested pursuant to Notice 2026-3” at the top of the claim. A taxpayer that satisfies the criteria for relief under this notice but receives a penalty notice from the IRS should also request an abatement of the addition to tax by filing Form 843.

.03 Form instructions to be modified. The instructions to forms relevant to estimated income tax requirements, including Form 1040-ES, *Estimated Tax for Individuals*, Form 1041-ES, *Estimated Income Tax for Estates and Trusts*, Form 2210, *Underpayment of Estimated Tax by Individuals, Estates, and Trusts*, Form 2210-F, *Underpayment of Estimated Tax by Farmers and Fishermen*, Form 2220, *Underpayment of Estimated Tax by Corporations*, will be modified, as necessary, to reflect the relief granted by this notice. If necessary, the modified instructions will be posted on <https://www.irs.gov>.

SECTION 5. DRAFTING AND CONTACT INFORMATION

The principal author of this notice is Alexander Wu of the Office of the Associate Chief Counsel (Procedure and Administration). Other personnel from the Treasury Department and the IRS participated in its development. For further information, please contact Alexander Wu at (202) 317-6845 (not a toll-free number).

Expanded Availability of Health Savings Accounts under the One, Big, Beautiful Bill Act (OBBBA)

Notice 2026-5

I. PURPOSE

This notice provides guidance on changes relating to health savings accounts (HSAs) enacted by Pub. L. 119-21, 139 Stat. 72 (July 4, 2025), commonly

known as the One, Big, Beautiful Bill Act (OBBBA). These changes generally expand the availability of HSAs under section 223 of the Internal Revenue Code (the Code). This notice provides answers to common questions related to these changes.

II. BACKGROUND

A. Section 223 in general

Section 223 of the Code permits eligible individuals to establish an HSA. HSAs are accounts that can receive tax-favored contributions by or on behalf of eligible individuals. Amounts in an HSA may be used on a tax-free basis to pay or reimburse medical expenses. Among the requirements to qualify as an eligible individual under section 223(c)(1) is that the individual be covered under a high deductible health plan (HDHP) and have no disqualifying health coverage. As defined in section 223(c)(2), an HDHP is a health plan that satisfies certain requirements, including requirements with respect to minimum deductibles and maximum out-of-pocket expenses. Only eligible individuals under section 223(c)(1) are allowed to make contributions to an HSA or to receive contributions from an employer to their HSA.

Generally, under section 223(c)(2)(A), an HDHP is not permitted to provide benefits for any year until the minimum annual deductible for that year is satisfied and is not permitted to require a payment of an annual deductible plus other annual out-of-pocket expenses (other than premiums) above the out-of-pocket maximum for the year. However, section 223(c)(2)(C) provides a safe harbor for the absence of a deductible for preventive care. Under section 223(c)(2)(C), “[a] plan shall not fail to be treated as a high deductible health plan by reason of failing to have a deductible for preventive care (within the meaning of section 1861 of the Social Security Act (SSA), except as otherwise provided by the Secretary).”

The statutory minimum annual deductible and out-of-pocket maximum are adjusted annually for inflation. The minimum annual deductible for 2025 is \$1,650 for self-only coverage and \$3,300 for family coverage, and the out-of-pocket maxi-

num for 2025 is \$8,300 for self-only coverage and \$16,600 for family coverage.¹

B. OBBBA changes to section 223

1. Telehealth and Other Remote Care Services.

Section 71306 of the OBBBA makes permanent a safe harbor for the absence of a deductible for telehealth and other remote care services that was initially enacted on a temporary basis as part of the Coronavirus Aid, Relief, and Economic Security Act, Pub. L. 116-136, 134 Stat. 281 (Mar. 27, 2020) (CARES Act). The CARES Act provision was effective March 27, 2020, and applied for plan years beginning on or before December 31, 2021. Subsequent legislation extended the application through taxable years beginning before January 1, 2025. The OBBBA permanent extension applies retroactively for plan years beginning after December 31, 2024.

2. Bronze and Catastrophic Plans Treated as HDHPs

Section 71307 of the OBBBA amended section 223(c)(2) of the Code to provide that the term “high deductible health plan” includes any plan described in subsection (d)(1)(A) or (e) of section 1302 of the Patient Protection and Affordable Care Act (ACA) that is available as individual coverage through an Exchange. Section 1302(d)(1)(A) of the ACA describes a bronze level plan, which is required to provide a level of coverage that is designed to provide benefits that are actuarially equivalent to 60 percent of the full actuarial value of the benefits provided under the plan. Section 1302(e) of the ACA describes a catastrophic plan, which is a health plan solely offered in the individual market that does not provide bronze or higher levels of coverage and that generally provides essential health benefits only after an individual has incurred the maximum cost sharing under section 1302(c)(1) of the ACA (other than required pre-

ventive health care and coverage for at least three primary care visits). In addition, to be a catastrophic plan, enrollment must be restricted to individuals who have not attained the age of 30 before the beginning of the plan year or individuals who are exempt from the requirements of section 5000A because they do not have access to affordable coverage or are otherwise experiencing a hardship with respect to the capability to obtain coverage under a qualified health plan (QHP).

Before the OBBBA was enacted, many bronze plans did not qualify as HDHPs because the plans’ out-of-pocket maximum exceeded the statutory limits for HDHPs or because they provided benefits that were not preventive care without a deductible. Similarly, catastrophic plans could not be HDHPs because they were required to provide three primary care visits before the minimum deductible was satisfied and to have an out-of-pocket maximum that exceeded the statutory limits for HDHPs.

This provision amending the definition of an HDHP applies for months beginning after December 31, 2025.

3. Direct Primary Care Service Arrangements

An individual who is covered under an HDHP is eligible to contribute to an HSA, provided that the individual is not covered under any disqualifying coverage while the individual is covered under the HDHP. An HSA may be used to pay for medical care under section 213(d) of the Code; however, an HSA generally may not be used to pay for insurance, with certain exceptions.

The Treasury Department and the Internal Revenue Service (IRS) understand that direct primary care service arrangements (DPCSA) typically charge a fixed periodic fee and provide for an array of primary care services and items, such as physical examinations, vaccinations, urgent care, laboratory testing, and the diagnosis and treatment of some sicknesses and injuries. For the purposes

of eligibility to contribute to an HSA, this type of DPCSA generally would constitute a health plan that provides coverage before the minimum annual deductible is satisfied and that is not disregarded coverage or preventive care. Therefore, prior to the effective date of section 223(c)(1)(E) (as added by OBBBA), an individual generally was not eligible to contribute to an HSA if the individual was enrolled in a DPCSA.

Section 71308(a) of the OBBBA amended section 223(c)(1) of the Code to provide that a DPCSA as defined in section 223(c)(1)(E)(ii) is not “treated as a health plan for purposes of [section 223(c)(1)](A)(ii)”, which generally limits eligible individuals to individuals who are enrolled in an HDHP and are not covered under any other health plan. Thus, enrollment in such a DPCSA will not cause an individual to fail to be an eligible individual for that reason. For purposes of this rule, the term “direct primary care service arrangement” means, with respect to any individual, an arrangement under which such individual is provided medical care (as defined in section 213(d)) consisting solely of primary care services provided by primary care practitioners (as defined in section 1833(x)(2)(A) of the SSA, determined without regard to clause (ii) thereof), if the sole compensation for such care is a fixed periodic fee. “Primary care practitioner” is defined in section 1833(x)(2)(A) of the SSA to mean an individual who is a physician who has a primary specialty designation of family medicine, internal medicine, geriatric medicine, or pediatric medicine, or who is a nurse practitioner, clinical nurse specialist, or physician assistant. For purposes of section 223(c)(1)(E) of the Code, the term “primary care services” does not include (1) procedures that require the use of general anesthesia, (2) prescription drugs other than vaccines (therefore, vaccines are permitted primary care services), and (3) laboratory services not typically administered in an ambulatory primary care setting.

¹For calendar year 2026, the annual deduction limit for contributions to HSAs under section 223(b)(2)(A) for an individual with self-only coverage is \$4,400 and \$8,750 for family coverage. For calendar year 2026, an HDHP is defined under section 223(c)(2)(A) as a health plan with an annual deductible that is not less than \$1,700 for self-only coverage and \$3,400 for family coverage, and for which the annual out-of-pocket expenses (excluding premiums) do not exceed \$8,500 for self-only coverage and \$17,000 for family coverage (other than bronze and catastrophic plans). Rev. Proc. 2025-19, 2025-18 IRB 1430.

The term “direct primary care service arrangement” does not include any arrangement if, with respect to an individual for a month, the aggregate fees for all DPCSAs for the individual for a month exceed \$150 (or \$300 for any such arrangement that covers more than one individual). The aggregate limit is adjusted annually for inflation for taxable years after 2026.

Section 71308 of the OBBBA also amended section 223(d)(2)(C) of the Code to provide that any expense for coverage under “any direct primary care service arrangement” is not subject to the general restriction that prohibits an HSA from being used to pay for insurance.

The provision relating to DPCSAs applies to months beginning after December 31, 2025.

III. QUESTIONS AND ANSWERS

A. Telehealth and Remote Care Services

Q-1. May an otherwise eligible individual contribute to an HSA for 2025 if, before the OBBBA was enacted on July 4, 2025, the individual was enrolled in a health plan that provided coverage for telehealth or other remote care services before the minimum deductible was satisfied, but the health plan otherwise satisfied the requirements to be treated as an HDHP?

A-1. Yes, an otherwise eligible individual may contribute to an HSA for 2025 if, before the OBBBA was enacted on July 4, 2025, the individual was enrolled in a health plan that provided coverage for telehealth or other remote care services before the minimum deductible was satisfied, if the health plan otherwise satisfied the requirements to be treated as an HDHP. This is true regardless of whether the contribution is made before or after July 4, 2025.

Q-2. Which benefits will the IRS treat as telehealth and other remote care services that may be offered by an HDHP without a deductible?

A-2. A plan will not fail to be an HDHP solely because it offers telehealth benefits without a deductible for a service that is included on the list of telehealth services payable by Medicare that is published annually by the Department of Health and Human Services (HHS) under section 1834(m)(4)(F) of the SSA.² For services that are not included on the HHS list, taxpayers should apply the principles of section 1834(m) of the SSA, its implementing regulations at 42 CFR 410.78, and other guidance issued by HHS defining “telehealth services” and related terms.

Q-3. If in-person services, medical equipment, or drugs are furnished in connection with a telehealth or other remote care service, may they be provided by an HDHP without a deductible under section 223(c)(2)(E) of the Code?

A-3. No, telehealth or other remote care services do not extend to in-person services, medical equipment, or drugs furnished in connection with those services unless they would otherwise be treated as telehealth services under guidance provided in Q&A-2.

B. Bronze and Catastrophic Plans Treated as HDHPs

Q-4. Will a bronze or catastrophic plan that does not satisfy the minimum annual deductible requirement or maximum out-of-pocket expenses requirement under section 223(c)(2)(A)(i) and (ii) be treated as an HDHP?

A-4. Yes, for months beginning after December 31, 2025, a bronze or catastrophic plan will be treated as an HDHP if the plan is available as individual coverage through an Exchange established under section 1311 or 1321 of the ACA even if the plan does not satisfy the minimum annual deductible requirement or maximum out-of-pocket expenses requirement for an HDHP under section 223(c)(2)(A)(i) and (ii) of the Code.

Q-5. Will a bronze or catastrophic plan that is available as individual coverage

fail to be treated as an HDHP because an employer-sponsored health reimbursement arrangement (HRA) such as an individual coverage HRA (ICHRA) or a qualified small employer HRA is used to purchase the coverage?

A-5. No, a bronze or catastrophic plan that is available as individual coverage will not fail to be an HDHP because an employer-sponsored ICHRA is used to purchase the coverage.³ However, generally, an HRA (including an ICHRA) is permitted to reimburse only premiums for the HRA to be a health plan that would not disqualify an employee from being an eligible individual. See Notice 2008-59, 2008-29 IRB 123, Q&A-1.

Q-6. Will a bronze plan or catastrophic plan purchased off-Exchange on the individual market be treated as an HDHP if the same plan is available as individual coverage through an Exchange?

A-6. Yes. A bronze plan or catastrophic plan purchased off-Exchange on the individual market will be treated as an HDHP if the same plan is available as individual coverage through an Exchange. This includes plans sold exclusively off-Exchange without a cost-sharing reduction load that are otherwise identical to plans sold on-Exchange with a cost sharing reduction load.⁴

Q-7. If the individual enrolls in a bronze or catastrophic plan that is available as individual coverage on the individual market but not on an Exchange, and the individual has no reason to believe the coverage is not available on an Exchange, may the individual contribute to an HSA?

A-7. Yes. In the interest of sound tax administration, because the ability of an individual to determine whether a particular plan is available on an Exchange is limited, the IRS will treat an individual as an eligible individual if the individual enrolls in a bronze or catastrophic plan that is available as individual coverage on the individual market but not on an Exchange, and the individual has no reason to believe that the bronze or catastrophic plan is not available on an Exchange.

² See <https://www.cms.gov/medicare/coverage/telehealth/list-services>; see 90 Fed. Reg. 49266, 49317 (Nov. 5, 2025), <https://www.federalregister.gov/documents/2025/11/05/2025-19787/medicare-and-medicaid-programs-cy-2026-payment-policies-under-the-physician-fee-schedule-and-other#p-573>.

³ See 29 CFR 2510.3-1(l) (establishing safe harbor conditions for when an employer payment of premiums for individual health insurance will not cause the individual health insurance coverage to become group health insurance coverage or coverage offered in connection with a group health plan under the Employee Retirement Income Security Act of 1974, Public Law 93-406, 88 Stat. 829, as amended).

⁴ See <https://www.cms.gov/files/document/offering-exchange-only-plans-without-csr-loading.pdf>.

Q-8. Will bronze plans offered as Small Business Health Options Program (SHOP) coverage be treated as HDHPs?

A-8. Generally, no. SHOP coverage that may be offered by a small employer is not individual coverage and therefore does not meet the criteria to be treated as an HDHP under section 223(c)(2)(H). However, such a plan can still be an HDHP if it otherwise satisfies the applicable requirements, including the minimum annual deductible requirement and maximum out-of-pocket expenses requirement under sections 223(c)(2)(A)(i) and (ii). Note, however, that an employer-sponsored ICHRA may be used to purchase a bronze plan or catastrophic plan that is available as individual coverage. See Q&A-5.

Q-9. If a bronze plan available as individual coverage on an Exchange provides benefits that are greater than the actuarial equivalent to 60 percent of the full actuarial value of the benefits provided under the plan, may it be treated as an HDHP?

A-9. Yes. Bronze plans described under section 1302(d)(1)(A) of the ACA (that is, a plan providing a level of coverage that is designed to provide benefits that are actuarially equivalent of 60 percent of the full actuarial value of the benefits that are provided under the plan) are treated as HDHPs under section 223(c)(2)(H) of the Code. However, compliance with other provisions of the ACA may affect the real actuarial value of a bronze plan. The Treasury Department and the IRS have consulted with HHS and are aware that some bronze plan variants may have an actuarial value that exceeds 60 percent because of factors such as the de minimis variance provided for under section 1302(d)(3) of the ACA or cost-sharing reductions offered to American Indians and Alaska Natives under section 1402(d) of the ACA. These plans are still considered bronze plans under section 1302(d)(1)(A) of the ACA by HHS and are treated as HDHPs under section 223(c)(2)(H) of the Code.

Q-10. An individual generally is not an eligible individual who may contribute to an HSA if the individual has received medical services at an Indian Health Services (IHS) facility at any time during the

previous three months. See Notice 2012-14, 2012-8 IRB 41. Does Notice 2012-14 apply to individuals who receive medical services at an IHS facility and enroll in a bronze plan variant with cost-sharing reductions offered to American Indians and Alaska Natives under section 1402(d) of the ACA, which may have special coverage requirements related to IHS facilities?

A-10. No. Notice 2012-14 does not apply to individuals who receive medical services at an IHS facility and enroll in a bronze plan variant with cost-sharing reductions offered to American Indians and Alaska Natives under section 1402(d) of the ACA. Thus, such individuals may be eligible individuals even if they have received medical services at an IHS facility during the previous three months.

C. Direct Primary Care Service Arrangements

DPCSA not treated as a health plan

Q-11. Does a DPCSA under section 223(c)(1)(E) of the Code include an arrangement that provides certain health-care items and services to individuals on the condition that they are members in the arrangement and have paid a fixed periodic fee, but bills separately for those items and services (through insurance or otherwise)?

A-11. No, the sole compensation for care provided under a DPCSA must be the fixed periodic fee. Thus, a DPCSA under section 223(c)(1)(E) does not include an arrangement that provides certain health-care items and services to individuals on the condition that they are members in the arrangement and have paid a fixed periodic fee, but bills separately for those items and services (through insurance or otherwise).

Q-12. Does a DPCSA under section 223(c)(1)(E) of the Code include an arrangement in which providers participating in the arrangement, which otherwise qualifies as a DPCSA, offer certain health-care items and services outside of the arrangement to individuals regardless of membership in the arrangement

and separately bill both members and non-members for those items and services (through insurance or otherwise)?

A-12. Yes.

Q-13. May a DPCSA under section 223(c)(1)(E) include an arrangement that has fees that are billed for periods of more than a month but no more than a year?

A-13. Yes, a DPCSA under section 223(c)(1)(E) may include an arrangement that has fees that are billed for periods of more than a month, but no more than a year provided the aggregate fees are fixed, periodic, and do not exceed the monthly limit (on an annualized basis). For example, for 2026, the fee for a single individual could be \$1,800 for a year; \$900 for six months; or \$450 for three months.

Q-14. If an arrangement provides services other than the primary care services described in section 223(c)(1)(E), may an individual who is a member in the arrangement decline to use such services and treat the arrangement as a DPCSA under section 223(c)(1)(E)?

A-14. No. Whether an arrangement qualifies as a DPCSA under section 223(c)(1)(E) depends on the terms of the arrangement, not the services used by an individual.

Q-15. May an HDHP offer primary care benefits other than those allowed under section 223(c)(2)(C)-(G) (for example, telehealth and preventive care) by paying fees for, or providing membership in, a DPCSA without a deductible or before the minimum deductible has been satisfied?

A-15. No. Certain DPCSAs are not treated as a health plan for purposes of section 223(c)(1)(A)(ii), which generally defines eligible individuals who may contribute to an HSA as individuals who are enrolled in an HDHP and are not covered under any other health plan. However, section 223 does not provide that an HDHP may offer a benefit that consists of paying fees for, or providing membership in, a DPCSA without a deductible or before the deductible has been satisfied.⁵

Q-16. If an individual is enrolled in both a DPCSA and an HDHP, may the HDHP count fees paid by the individual for the individual's membership in the

⁵ Bronze plans are treated as HDHPs under section 223 regardless of which services they cover before the deductible. It is the Treasury Department's and IRS's understanding that ACA section 1301(a)(3) allows QHPs to provide coverage through a direct primary care medical home plan. Nothing in this notice is intended to provide any interpretive guidance with respect to ACA section 1301(a)(3).

DPCSA toward the annual deductible and out-of-pocket maximum for the HDHP?

A-16. No. In this situation, the fees for membership in a DPCSA paid by the individual would not be amounts paid out-of-pocket for items and services that are covered by the HDHP and therefore would not count toward the minimum annual deductible and out-of-pocket maximum for the HDHP.

Q-17. Section 223(c)(1)(E) defines “primary care practitioners” by reference to section 1833(x)(2)(A) of the SSA. Does section 223(c)(1)(E) of the Code define “primary care services” by reference to the services identified by the Health Care Procedure Coding System (HCPCS) codes under section 1833(x)(2)(B) of the SSA?

A-17. No. Although section 223(c)(1)(E)(ii)(I) of the Code defines “primary care practitioners” by reference to section 1833(x)(2)(A) of the SSA, it does not define “primary care services” by reference to the definition at section 1833(x)(2)(B) of the SSA. In addition, section 223(c)(1)(E)(iii) of the Code specifically excludes from “primary care services” (1) procedures that require the use of general anesthesia, (2) prescription drugs other than vaccines, and (3) laboratory services not typically administered in an ambulatory primary care setting.

HSA distributions for the reimbursement of fees for a DPCSA

Q-18. Are DPCSA fees treated as amounts paid for qualified medical expenses under section 223(d)(2) that may be reimbursed by an HSA if they were paid by an individual’s employer, including by salary reduction through a section 125 cafeteria plan?

A-18. No. These payments by the employer are not expenses of the HSA beneficiary. The payments are compensation excluded from employees’ gross income under section 106.

Q-19. May DPCSA fees be reimbursed from an HSA before the coverage period for the arrangement?

A-19. Generally, yes. An HSA is permitted to treat an expense for a DPCSA as incurred on (1) the first day of each month of coverage on a pro rata basis, (2) the first day of the period of coverage, or (3) the date the fees are paid. Thus, for example,

an HSA may immediately reimburse a substantiated fee for a DPCSA that begins on January 1 of that enrollment year, even if the enrolled individuals paid the fee prior to the first day of the enrollment year.

Q-20. What requirements must an arrangement meet in order to qualify as a DPCSA whose fees are treated as amounts paid for qualified medical expenses under section 223(d)(2) that may be reimbursed by an HSA?

A-20. For purposes of section 223(d)(2), a DPCSA is an arrangement under which an individual is provided medical care (as defined in section 213(d)) consisting solely of primary care services provided by primary care practitioners (as defined in section 1833(x)(2)(A) of the SSA, determined without regard to clause (ii) thereof), if the sole compensation for such care is a fixed periodic fee, and such care does not include (1) procedures that require the use of general anesthesia, (2) prescription drugs other than vaccines, or (3) laboratory services not typically administered in an ambulatory primary care setting. For purposes of section 223(d)(2), there is no specific limit on the amount of the fixed periodic fee as there is for purposes of determining whether a DPCSA is a health plan under section 223(c)(1)(E). Thus, fees for a DPCSA that do not satisfy the monthly dollar limit in section 223(c)(1)(E)(ii)(II) will be treated as medical expenses reimbursable from an HSA in accordance with section 223(d)(2)(C)(v) but will disqualify the covered individual from eligibility for making HSA contributions while the individual is enrolled.

IV. REQUEST FOR COMMENTS

The Treasury Department and the IRS request comments on all aspects of this notice. Written comments should be submitted on or before March 6, 2026. Consideration will be given, however, to any written comment submitted after that date, if such consideration will not delay the issuance of guidance. The subject line for the comments should include a reference to Notice 2026-5. Comments may be submitted electronically via the Federal eRulemaking Portal at <https://www.regulations.gov> (type IRS-2025-0335 in the search field on the [regulations.gov](https://www.regulations.gov)

homepage to find this notice and submit comments). Alternatively, comments may be submitted by mail to: Internal Revenue Service, CC:PA:01:PR (Notice 2026-5), Room 5503, P.O. Box 7604, Ben Franklin Station, Washington, DC 20044. 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 the IRS’s public docket on <https://www.regulations.gov>.

V. EFFECT ON OTHER DOCUMENTS

Notice 2012-14 is modified with respect to the guidance regarding eligibility to contribute to an HSA within three months of receiving medical care from the Indian Health Services.

VI. DRAFTING INFORMATION

The principal author of this notice is Alexander Krupnick of the Office of Associate Chief Counsel (Employee Benefits, Exempt Organizations, and Employment Taxes), though other Treasury Department and IRS officials participated in its development. For further information on the provisions of this notice, contact Mr. Krupnick at (202) 317-5500 (not a toll-free number).

Extension of Transition Period to Calendar Year 2026 for Certain Requirements in Revenue Ruling 2025-4

Notice 2026-6

SECTION 1. PURPOSE

This notice extends for an additional year the transition period provided in Revenue Ruling 2025-4 for States administering paid family and medical leave (PFML) programs and employers participating in such programs with respect to the portion of medical leave benefits a State pays to an

individual that is attributable to employer contributions.

SECTION 2. BACKGROUND

On January 15, 2025, the Department of Treasury (Treasury Department) and the Internal Revenue Service (IRS) issued Revenue Ruling 2025-4, 2025-7 I.R.B. 758, providing guidance on the income and employment tax treatment of contributions and benefits paid in certain situations under a State paid family and medical leave (PFML) statute. Revenue Ruling 2025-4 includes seven separate holdings. Holding (4) concludes, in part, that amounts paid to an employee by a State as medical leave benefits that are attributable to the employer's contribution pursuant to a State's PFML statute are included in an employee's gross income under § 105¹ except as otherwise provided in that section, are wages for Federal employment tax purposes under §§ 3121(a) and 3306(b), and are third-party payments of sick pay as defined in § 3402(o). Holding (4) also concludes that States must comply with the employment tax and reporting requirements that apply to such payments under § 32.1 and other guidance.

With respect to both the Federal income and employment tax obligations and related information reporting requirements discussed in holding (4), Revenue Ruling 2025-4 provides that calendar year 2025 is a transition period for purposes of IRS enforcement and administration, intended to provide States and employers time to configure their reporting and other systems and to facilitate an orderly transition to compliance with those rules.²

SECTION 3. DISCUSSION

A number of States with PFML statutes requested that the transition period

in Revenue Ruling 2025-4 be extended for an additional year or that the effective date be amended because the required changes cannot occur within the current timeline.

The Treasury Department and the IRS understand that States may need additional time to make the necessary changes to their systems and state budgets to comply with their Federal income tax and employment tax obligations, as well as related information reporting responsibilities under § 32.1. For this reason, calendar year 2026 will be regarded as an additional transition period for purposes of IRS enforcement and administration with respect to components (1) and (2) of the transition period set forth in Revenue Ruling 2025-4. Accordingly:

(1) For medical leave benefits a State pays to an individual in calendar year 2026, with respect to the portion of the medical leave benefits attributable to employer contributions, (a) a State or an employer is not required to follow the income tax withholding and reporting requirements applicable to third-party sick pay, and (b) consequently, a State or employer will not be liable for any associated penalties under § 6721 for failure to file a correct information return or under § 6722 for failure to furnish a correct payee statement to the payee.

(2) For medical leave benefits a State pays to an individual in calendar year 2026, with respect to the portion of the medical leave benefits attributable to employer contributions, (a) a State or an employer is not required to comply with § 32.1 and related Code sections (as well as similar requirements under § 3306) during the calendar year; (b) a State or an employer is not required to withhold and pay associated taxes; and (c) consequently, a State or employer will not be liable for any associated penalties.

SECTION 4. EFFECTIVE DATE

This notice is effective for medical leave benefits paid from States to individuals during calendar year 2026.

SECTION 5. 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) 317-6798 (not a toll-free call).

*26 CFR 601.601: Rules and regulations.
(Also Part I, § 25F.)*

Rev. Proc. 2026-6

SECTION 1. PURPOSE

This revenue procedure provides the exclusive procedure for a State¹ to make an election to be a “covered state”² prior to identifying scholarship granting organizations (SGOs) in the State in accordance with § 25F(g) of the Internal Revenue Code (Code)³ (Advance Election). Making an Advance Election allows a State to inform potential SGOs of a State's participation under section 25F before submitting its SGO list, giving SGOs additional time to prepare for the commencement of this new credit in 2027.

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 an SGO made by an individual who is a citizen or resident of the United States (within

¹ Unless otherwise specified, all “section” or “§” references are to sections of the Code or the Treasury Regulations.

² Revenue Ruling 2025-4 also includes holding (5), and provides transition relief for calendar year 2025 to employers with respect to an amount an employer voluntarily pays of any part of the employee's otherwise required contribution to a State PFML program (i.e., employer pick-up). This notice does not extend the third component of the transition relief announced in Revenue Ruling 2025-4 to an employer pick-up for calendar year 2026, and consequently, contemplates that employers will treat contribution amounts they voluntarily pay on behalf of their employees to a State PFML program as wages for Federal employment tax purposes under §§ 3121(a), 3306(b), and 3401(a) and report such amounts on the employee's Form W-2, Wage and Tax Statement, in accordance with § 6051.

³ For purposes of this notice, the term “State” means one of the 50 States or the District of Columbia.

² Section 25F(c)(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, defines a “covered state” as one of the 50 States, or the District of Columbia, that, for a particular calendar year, both voluntarily elects to participate under § 25F and identifies the scholarship granting organizations in the State, in accordance with § 25F(g).

³ Unless otherwise provided, all “section” or “§” references are to sections of the Code.

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, a State must have voluntarily made an election 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).

.02 *Statutory Requirements for Elections to Participate under § 25F.* Section 25F(g)(1) provides that a State that voluntarily makes an election to participate under § 25F must provide to the Secretary of the Treasury or the Secretary’s delegate a list of the SGOs that meet the requirements described in § 25F(c)(5) and are located in the State (State SGO list). The State SGO list must be submitted by January 1 of the calendar year for which the election to participate under § 25F is being made (or, with respect to calendar year 2027, as early as practicable). Section 25F(g)(2) provides that each State SGO 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. *See* sections 2.04 and 3 of Notice 2025-70, 2025-50 I.R.B. 773 (December 8, 2025), for additional information and a request for comments regarding State SGO lists and the certifications necessary for elections to participate under § 25F.

.03 *Future guidance.* The Department of the Treasury (Treasury Department) and the Internal Revenue Service (IRS) intend to publish future guidance under § 25F(g) on how a State submits its State SGO list with all required certifications. The future guidance will provide that any State making an Advance Election will be required to perfect its election by submitting its State SGO list in accordance with such guidance. Future guidance also will address how to make an election to participate under § 25F for calendar year 2027 at the same time the State submits the State SGO list, and how to make elections

(including Advance Elections) to participate under § 25F for subsequent calendar years.

SECTION 3. SCOPE

.01 *Advance Elections.* This revenue procedure applies to States that choose to make an Advance Election for calendar year 2027. Section 4 of this revenue procedure provides the exclusive procedure for a State to make an Advance Election for calendar year 2027.

.02 *Perfection of Advance Election.* As the Treasury Department and the IRS intend to specify in future guidance, each State making an Advance Election for calendar year 2027 will need to perfect its election by submitting its State SGO list, along with all required information and certifications, before the final date on which the State is permitted to submit the State SGO list (as will be specified in future guidance). Because a State that makes an Advance Election is required by § 25F(g) to provide its State SGO list as part of its election, a failure to submit the list by the deadline would not meet the statutory requirements, and, as a result, no organization in that State would qualify as an SGO under § 25F for calendar year 2027.

SECTION 4. PROCEDURE FOR MAKING ADVANCE ELECTION FOR 2027

.01 *Submission of Advance Election.* If a State chooses to make an Advance Election for calendar year 2027, the State must submit Form 15714, *Advance Election to Participate Under Section 25F for 2027*, in accordance with this section 4 and the Form 15714 instructions, on or after January 1, 2026, and before the final date on which the State is permitted to submit the State SGO list (as will be specified in future guidance). Form 15714, including instructions for its submission, are available at www.irs.gov/pub/irs-pdf/fl15714.pdf. No alternative method of making an Advance Election, and no alteration of Form 15714, will be accepted for calendar year 2027. The IRS will acknowledge or otherwise confirm receipt of a State’s Advance Election submitted in accordance with this section 4.

.02 *No Inclusion of Other Attachments or SGO List.* Any State SGO list (or other information or attachments) submitted with Form 15714 will not be processed by the IRS and will need to be resubmitted in accordance with the procedures for submitting State SGO lists as specified in future guidance.

.03 *No Subsequent Advance Election Submissions.* Once a State’s Advance Election for calendar year 2027 has been made, the only subsequent submission that will be processed by the Treasury Department and the IRS is the submission of the State SGO list (including all required certifications).

SECTION 5. EFFECTIVE DATE

This revenue procedure is effective as of January 1, 2026. No Advance Election for calendar year 2027 may be submitted to the IRS before January 1, 2026, or after the day before the final date on which the State is permitted to submit the State SGO list (as will be specified in future guidance).

SECTION 6. PAPERWORK REDUCTION ACT

The Paperwork Reduction Act of 1995 (44 U.S.C. 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 OMB.

Section 4 of this revenue procedure sets forth collections of information to be provided with Form 15714, including information related to an Advance Election. The collections will be used by the IRS for tax administration purposes. The respondents are States that voluntarily elect, on or after January 1, 2026, to participate under § 25F for the following calendar year in advance of perfecting the election by providing the State SGO list, as required under § 25F(g)(1).

Estimated number of respondents: 51 respondents.

Estimated number of responses: 51 responses.

Estimated frequency of responses: Annually.

Estimated average time per response: 0.72 hours.

Estimated total annual burden: 37 hours.

Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law.

The collection of information contained in this revenue procedure has been submitted to the OMB under control number 1545-2335.

SECTION 7. DRAFTING INFORMATION

The principal author of this revenue procedure 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 revenue procedure, please contact Mr. Waters at (202) 317-7009 (not a toll-free call).

26 CFR § 601.201: Rulings and determination letters

Rev. Proc. 2026-7

SECTION 1. PURPOSE

.01 Purpose

This revenue procedure updates Rev. Proc. 2025-7, 2025-1 I.R.B. 301, by providing a current list of those areas of the Internal Revenue Code under the jurisdiction of the Associate Chief Counsel (International) (hereinafter “the Office”) relating to matters on which the Internal Revenue Service (hereinafter “the Service”) will not issue letter rulings or determination letters.

.02 Changes

Old section 4.01(22), regarding rulings under § 1059A, has been removed.

SECTION 2. BACKGROUND AND SCOPE OF APPLICATION

.01 Background

In the interest of sound tax administration, the Service answers inquiries from individuals and organizations regarding their status for tax purposes and the tax effects of their acts or transactions before the filing of returns or reports that are required by the Internal Revenue Code. There are, however, areas where the Service will not issue letter rulings or determination letters, either because the issues are inherently factual or for other reasons. These areas are set forth in sections 3 and 4 of this revenue procedure.

Section 3 lists areas in which letter rulings and determination letters will not be issued under any circumstances.

Section 4 lists areas in which letter rulings and determination letters ordinarily will not be issued; in these areas, unique and compelling reasons may justify issuing a letter ruling or determination letter. A taxpayer who plans to request a letter ruling or determination letter in an area described in Section 4 should first contact the Office by telephone ((202) 317-3800) or in writing to discuss the unique and compelling reasons that the taxpayer believes justify issuing the letter ruling or determination letter. Although not required, a written submission is encouraged because it will enable Office personnel to arrive more quickly at an understanding of the unique facts of each case. A taxpayer who contacts the Office by telephone may be requested to provide a written submission.

The Service may provide a general information letter in response to inquiries in areas on either the Section 3 or Section 4 list. These lists are not all-inclusive. Future revenue procedures may add or delete items. The Service may also decline to rule on an individual case for reasons peculiar to that case, and the decision will not be announced in the Internal Revenue Bulletin. See Section 6.02, Rev. Proc. 2026-1, 2026-1 I.R.B. 1.

.02 Scope of Application

This revenue procedure does not preclude the submission of requests for technical advice to the Office from other offices of the Service.

SECTION 3. AREAS IN WHICH LETTER RULINGS OR DETERMINATION LETTERS WILL NOT BE ISSUED

.01 Specific Questions and Problems

(1) Section 861.—Income from Sources Within the United States.—A method for determining the source of a pension payment to a nonresident alien individual from a trust under a defined benefit plan that is qualified under § 401(a) if the proposed method is inconsistent with §§ 4.01, 4.02, and 4.03 of Rev. Proc. 2004-37, 2004-1 C.B. 1099.

(2) Section 862.—Income from Sources Without the United States.—A method for determining the source of a pension payment to a nonresident alien individual from a trust under a defined benefit plan that is qualified under § 401(a) if the proposed method is inconsistent with §§ 4.01, 4.02, and 4.03 of Rev. Proc. 2004-37, 2004-1 C.B. 1099.

(3) Section 871(g).—Special Rules for Original Issue Discount.—Whether a debt instrument having original issue discount within the meaning of § 1273 is not an original issue discount obligation within the meaning of § 871(g)(1)(B)(i) when the instrument is payable 183 days or less from the date of original issue (without regard to the period held by the taxpayer).

(4) Section 894.—Income Affected by Treaty.—Whether a person that is a resident of a foreign country is entitled to benefits under the United States income tax treaty with that foreign country pursuant to the limitation on benefits article. However, the Service may rule regarding the legal interpretation of a provision of an applicable objective test within the relevant limitation on benefits article, including, in appropriate cases, whether the person satisfies an element of such objective test.

(5) Section 954.—Foreign Base Company Income.—The effective rate of tax that a foreign country will impose on income.

(6) Section 954.—Foreign Base Company Income.—Whether the facts and circumstances show that a controlled foreign corporation makes a substantial contribution through the activities of its employees to the manufacture, production, or

construction of the personal property sold within the meaning of § 1.954-3(a)(4)(iv).

(7) Sections 7701(b) and 894.—Definition of Resident Alien and Nonresident Alien.—Whether an alien individual, whether or not a dual resident alien, is a nonresident of the United States, including whether the individual has met the requirements of the substantial presence test or exceptions thereto, or whether the alien is solely a nonresident under a United States income tax treaty. However, the Service may rule regarding the legal interpretation of a particular provision of § 7701(b) or the regulations thereunder.

.02 General Areas.

(1) The prospective application of the estate tax to the property or the estate of a living person, except that rulings may be issued on any international issues in a ruling request accepted pursuant to § 5.06 of Rev. Proc. 2026-1.

(2) Whether reasonable cause exists under Subtitle F (Procedure and Administration) of the Code.

(3) Whether a proposed transaction would subject a taxpayer to criminal penalties.

(4) Any area where the ruling request does not comply with the requirements of Rev. Proc. 2026-1.

(5) Any area where the same issue is the subject of the taxpayer's pending request for competent authority assistance under a United States income tax treaty.

(6) A "comfort" ruling will not be issued with respect to an issue that is clearly and adequately addressed by statute, regulations, decisions of a court, tax treaties, revenue rulings, or revenue procedures absent extraordinary circumstances (e.g., a request for a ruling required by a governmental regulatory authority in order to effectuate the transaction).

(7) Any frivolous issue, as that term is defined in § 6.10 of Rev. Proc. 2026-1.

SECTION 4. AREAS IN WHICH LETTER RULINGS OR DETERMINATION LETTERS WILL NOT ORDINARILY BE ISSUED

.01 Specific Questions and Problems

(1) Section 367(a).—Transfers of Property from the United States.—Whether the transferee foreign corporation, or any qualified subsidiary or any qualified part-

nership, is engaged in an active trade or business outside the United States for purposes of § 1.367(a)-3(c)(3)(i)(A).

(2) Section 367(a).—Transfers of Property from the United States.—Whether a transferred corporation subject to a gain recognition agreement under § 1.367(a)-8 has disposed of substantially all of its assets.

(3) Section 864.—Definitions and Special Rules.—Whether a taxpayer is engaged in a trade or business within the United States, and whether income is effectively connected with the conduct of a trade or business within the United States; whether an instrument is a security as defined in § 1.864-2(c)(2); whether a taxpayer effects transactions in the United States in stocks or securities under § 1.864-2(c)(2); whether an instrument or item is a commodity for purposes of § 1.864-2(d)(3); and for purposes of § 1.864-2(d)(1) and (2), whether a commodity is of a kind customarily dealt in on an organized commodity exchange, and whether a transaction is of a kind customarily consummated at such place.

(4) Section 871(h).—Repeal of Tax on Interest of Nonresident Alien Individuals Received from Certain Portfolio Debt Investments.—Whether a payment constitutes portfolio interest under § 871(h); whether an obligation qualifies for any of the components of portfolio interest such as being in registered form; and whether the income earned on contracts that do not qualify as annuities or life insurance contracts because of the limitations imposed by §§ 72(s) and 7702(a) is portfolio interest as defined in § 871(h).

(5) Section 881(c).—Repeal of Tax on Interest of Foreign Corporations Received from Certain Portfolio Debt Investments.—Whether a payment constitutes portfolio interest under § 881(c); whether an obligation qualifies for any of the components of portfolio interest such as being in registered form; and whether the income earned on contracts that do not qualify as annuities or life insurance contracts because of the limitations imposed by §§ 72(s) and 7702(a) is portfolio interest as defined in § 881(c).

(6) Section 892.—Conduct of Foreign Governments.—Whether a foreign government or an entity in which a foreign government holds any interest is treated

as conducting commercial activities for purposes of section 892(a)(2).

(7) Section 893.—Compensation of Employees of Foreign Governments and International Organizations.—Whether wages, fees, or salary of an employee of a foreign government or of an international organization received as compensation for official services to such government or international organization is excluded from gross income and exempt from taxation and any underlying issue related to that determination.

(8) Section 894.—Income Affected by Treaty.—Whether the income received by an individual in respect of services rendered to a foreign government or a political subdivision or a local authority thereof is exempt from federal income tax or withholding under any of the United States income tax treaties that contain provisions applicable to such individuals.

(9) Section 894.—Income Affected by Treaty.—Whether a taxpayer has a permanent establishment in the United States for purposes of any United States income tax treaty and whether income is attributable to a permanent establishment in the United States.

(10) Section 894.—Income Affected by Treaty.—Whether certain persons will be considered liable to tax under the laws of a foreign country for purposes of determining if such persons are residents within the meaning of any United States income tax treaty, including pursuant to Rev. Rul. 2000-59, 2000-2 C.B. 593.

(11) Section 894.—Income Affected by Treaty.—Whether the income received by a nonresident alien student or trainee for services performed for a university or other educational institution is exempt from federal income tax or withholding under any of the United States income tax treaties that contain provisions applicable to such nonresident alien students or trainees.

(12) Section 894.—Income Affected by Treaty.—Whether the income received by a nonresident alien performing research or teaching as personal services for a university, hospital or other research institution is exempt from federal income tax or withholding under any of the United States income tax treaties that contain provisions applicable to such nonresident alien teachers or researchers.

(13) Section 894.—Income Affected by Treaty.—Whether a recipient of a payment is the beneficial owner for purposes of any United States income tax treaty.

(14) Section 894.—Income Affected by Treaty.—Whether an entity is treated as fiscally transparent by a foreign jurisdiction for purposes of § 894(c) and the regulations thereunder or pursuant to any United States income tax treaty.

(15) Section 895.—Conduct of a Foreign Central Bank of Issue.—Whether a foreign central bank of issue is treated as conducting a commercial banking function or other commercial activity.

(16) Section 901.—Taxes of Foreign Countries and of Possessions of United States.—Whether a foreign levy meets the requirements of a creditable tax under § 901.

(17) Section 901.—Taxes of Foreign Countries and of Possessions of United States.—Whether a person claiming a credit has established, based on all of the relevant facts and circumstances, the amount (if any) paid by a dual capacity taxpayer under a qualifying levy that is not paid in exchange for a specific economic benefit. See § 1.901-2A(c)(2).

(18) Section 903.—Credit for Taxes in Lieu of Income, Etc., Taxes.—Whether a foreign levy meets the requirements of a creditable tax under § 903.

(19) Section 937.—Definition of Bona Fide Resident.—Whether an individual is a bona fide resident of American Samoa, Guam, the Northern Mariana Islands, Puerto Rico, or the U.S. Virgin Islands. However, the Service may rule regarding the legal interpretation of a particular provision of § 937(a) or the regulations thereunder.

(20) Sections 954(d), 993(c).—Manufactured Product.—Whether a product is manufactured or produced for purposes of §§ 954(d) and 993(c).

(21) Section 989(a).—Qualified Business Unit.—Whether a unit of the taxpayer's trade or business is a qualified business unit.

(22) Sections 1471, 1472, 1473, and 1474.—Taxes to Enforce Reporting on Certain Foreign Accounts.—Whether a taxpayer, withholding agent, or intermediary has properly applied the requirements of chapter 4 of the Internal Revenue

Code (§§ 1471 through 1474, also known as “FATCA”) or of an applicable intergovernmental agreement to implement FATCA.

(23) Section 1503(d).—Dual Consolidated Loss.—Whether the income tax laws of a foreign country would deny any opportunity for the foreign use of a dual consolidated loss in the year in which the dual consolidated loss is incurred under § 1.1503(d)-3(e)(1); whether no possibility of foreign use exists under § 1.1503(d)-6(c)(1); whether an event presumptively constitutes a triggering event under § 1.1503(d)-6(e)(1)(i); whether the presumption of a triggering event is rebutted under § 1.1503(d)-6(e)(2); and whether a domestic use agreement terminates under § 1.1503(d)-6(j)(1).

(24) Section 2501.—Imposition of Tax.—Whether a partnership interest is intangible property for purposes of § 2501(a)(2) (dealing with transfers of intangible property by a nonresident not a citizen of the United States).

(25) Section 7701.—Definitions.—Whether an estate or trust is a foreign estate or trust for federal income tax purposes.

(26) Section 7701.—Definitions.—Whether an intermediate entity is a conduit entity under § 1.881-3(a)(4); whether a transaction is a financing arrangement under § 1.881-3(a)(4)(ii); whether the participation of an intermediate entity in a financing arrangement is pursuant to a tax avoidance plan under § 1.881-3(b); whether an intermediate entity performs significant financing activities under § 1.881-3(b)(3)(ii); whether an unrelated intermediate entity would not have participated in a financing arrangement on substantially the same terms under § 1.881-3(c).

(27) Section 7874.—Expatriated Entities and Their Foreign Parents.—Whether, after the acquisition, the expanded affiliated group has substantial business activities in the foreign country in which, or under the law of which, the foreign entity is created or organized, when compared to the total business activities of the expanded affiliated group.

(28) Section 7874.—Expatriated Entities and Their Foreign Parents.—Whether a foreign corporation completes the direct or indirect acquisition of substantially all

of the properties held directly or indirectly by a domestic corporation or substantially all of the properties constituting a trade or business of a domestic partnership.

.02 General Areas

(1) Whether a taxpayer has a business purpose for a transaction or arrangement.

(2) Whether a taxpayer uses a correct North American Industry Classification System (NAICS) code or Standard Industrial Classification (SIC) code.

(3) Any transaction, or series of transactions, that is designed to achieve a different tax consequence or classification under U.S. tax law (including tax treaties) and the tax law of a foreign jurisdiction, where the results of that different tax consequence or classification are inconsistent with the purposes of U.S. tax law (including tax treaties).

(4)(a) Situations where a taxpayer or a related party is domiciled or organized in a foreign jurisdiction with which the United States does not have an effective mechanism for obtaining tax information with respect to civil tax examinations and criminal tax investigations, which would preclude the Service from obtaining information located in such jurisdiction that is relevant to the analysis or examination of the tax issues involved in the ruling request.

(b) The provisions of subsection 4.02(4)(a) above shall not apply if the taxpayer or affected related party (i) consents to the disclosure of all relevant information requested by the Service in processing the ruling request or in the course of an examination to verify the accuracy of the representations made and to otherwise analyze or examine the tax issues involved in the ruling request, and (ii) waives all claims to protection of bank or commercial secrecy laws in the foreign jurisdiction with respect to the information requested by the Service. If the taxpayer's or related party's consent to disclose relevant information or to waive protection of bank or commercial secrecy is determined by the Service to be ineffective or of no force and effect, then the Service may retroactively rescind any ruling rendered in reliance on such consent.

(5) The federal tax consequences of proposed federal, state, local, municipal, or foreign legislation.

(6)(a) Situations involving the interpretation of foreign law or foreign documents. The interpretation of a foreign law or foreign document means making a judgment about the import or effect of the foreign law or document that goes beyond its plain meaning.

(b) The Service, at its discretion, may consider ruling requests that involve the interpretation of foreign laws or foreign documents. In these cases, the Service may request information in addition to that listed in § 7.01(2) and (6) of Rev. Proc. 2026-1, includ-

ing a discussion of the implications of any authority believed to interpret the foreign law or foreign document, such as pending legislation, treaties, court decisions, notices, or administrative decisions.

(7) The treatment or effects of hook equity, as described in section 4.02(11) of Rev. Proc. 2026-3, 2026-1 I.R.B. 143.

SECTION 5. EFFECT ON OTHER REVENUE PROCEDURES

Rev. Proc. 2025-7 is superseded.

SECTION 6. EFFECTIVE DATE

This revenue procedure is effective January 5, 2026.

SECTION 7. DRAFTING INFORMATION

This revenue procedure was compiled by James Kostura of the Office of Associate Chief Counsel (International). For further information regarding this revenue procedure contact Mr. Kostura at (202) 317-3800 (not a toll-free number).

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.
FR—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.

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¹ A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2025–27 through 2025–52 is in Internal Revenue Bulletin 2024–52, dated December 22, 2024.

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¹ A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2025-27 through 2025-52 is in Internal Revenue Bulletin 2024-52, dated December 22, 2024.

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