Recent Developments in Federal Income Taxation

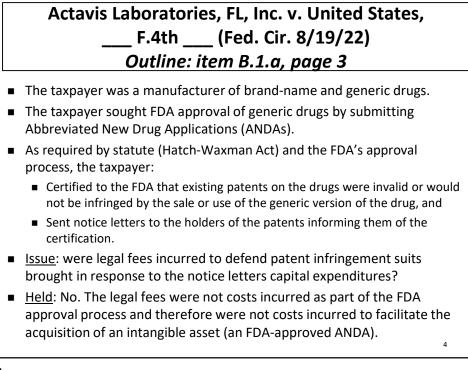
Bruce A. McGovern Professor of Law and Director, Tax Clinic South Texas College of Law Houston Houston, Texas

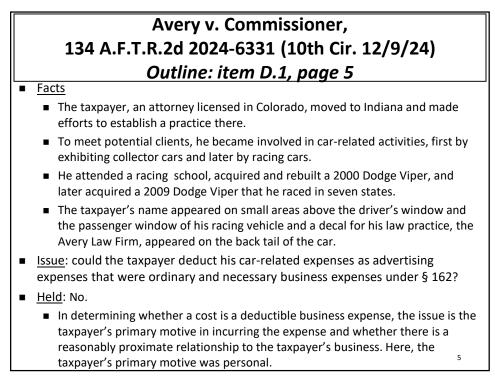
> State Bar of Texas Tax Section First Wednesday Tax Update April 2, 2025

CLE Number for Today's Webcast:

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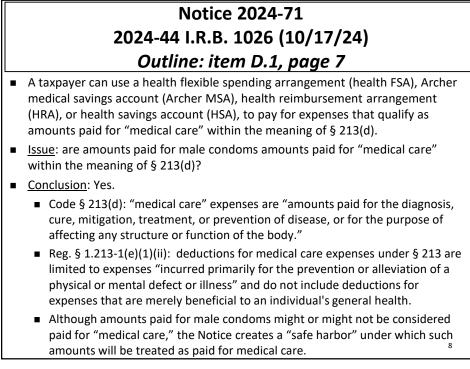
II. Business Income and Deductions





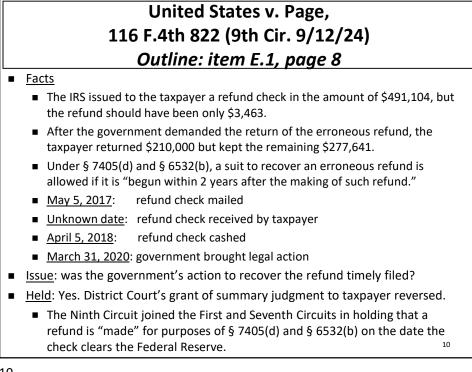
| Rev. Proc. 2025-16 2025-11 I.R.B. 1100 (2/12/25) Outline: item E.1, page 6 Section 280F depreciation limits for passenger automobiles | |
|--|-----------|
| 2025 Passenger Automobiles with § 168(k) first year recovery: | |
| 1 st Tax Year | \$20,200 |
| 2 nd Tax Year | \$19,600 |
| 3rd Tax Year | \$11,800 |
| Each Succeeding Year | \$7,060 |
| 2024 Passenger Automobiles (no § 168(k) first year recovery): | |
| 1st Tax Year | \$12,200 |
| 2nd Tax Year | \$19,600 |
| 3rd Tax Year | \$11,800 |
| Each Succeeding Year | \$7,060 6 |

V. Personal Income and Deductions



X. Tax Procedure





Ryckman v. Commissioner, 163 T.C. No. 3 (8/1/24) *Outline: item F.1, page 9*

Facts

- The taxpayer resided in Arizona.
- In 2017, pursuant to article 26A(2) of the U.S.-Canada tax treaty, the Canada Revenue Agency requested assistance in collecting approximately \$200,000 in Canadian tax owed by the taxpayer for 1994 and 1995.
- The U.S. Competent Authority, an office within the IRS, granted the request.
- An IRS revenue officer mailed a notice of federal tax lien to Maricopa County.
- The Revenue Officer also sent the taxpayer a letter stating that a hearing under Code § 6320(b), commonly known as a collection due process (CDP) hearing, was "NOT available to you as a Canadian taxpayer in the United States."
- Taxpayer requested a CDP hearing on Form 12153, which was denied
- Issue: was taxpayer entitled to a CDP hearing to challenge lien?
- <u>Held</u>: No. Reviewed decision (7-1-6).
 - Under the terms of the treaty, the U.S. must treat the revenue claim as a U.S. tax assessment for which the taxpayer's administrative and judicial rights to restrain collection, including the right to a CDP hearing, have been exhausted.

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United States v. Hughes 113 F.4th 1158 (9th Cir. 8/21/24) Outline: item H.1.a, page 12

- The taxpayer, a U.S. citizen, owned wine businesses in New Zealand through a wholly-owned LLC.
- She had control over the business's bank accounts in New Zealand.
- Taxpayer failed to file Foreign Bank Account Reports (FBARs) for 2010-2013.
- On her 2010-2011 returns, she did not indicate that she had foreign bank accounts, but she indicated she did have such accounts on 2012-2013 returns.
- The penalties for failure to file an FBAR are:
 - Non-willful violation: \$10,000
 - <u>Willful violation</u>: greater of \$100,000 or 50% of undisclosed account value.
- Issue: Can recklessness be sufficient to establish a willful violation of FBAR reporting requirements (in this case, for 2012-2013)?
- Held: Yes. Joins all other Circuits that have considered the issue.
 - The government can establish a willful FBAR violation by proving that the defendant (1) clearly ought to have known that (2) there was a grave risk that an accurate FBAR was not being filed and that (3) he was in a position to find out for certain very easily.

XI. Withholding and Excise Taxes

