Highlights

- Congress Lays Foundation for Tax Legislation
- BOI and Digital Asset Reporting Changes
- Prior IRS Guidance Obsoleted by Government Efficiency Program
- Future of Direct File

Inside

Tax Briefing | 2025 Post-Filing Season Update

2025 Tax Filing Season Quietly Passes

In many ways, the 2025 tax filing season passed without much fanfare. Congress took no significant direct action, although the foundation has been laid for tax legislation to be moved before the end of the year. On the regulatory side, the Department of the Treasury and the Internal Revenue Service did not take any significant regulatory actions outside of addressing beneficial ownership information rules. Also, as part of the new Administration's efforts to promote efficiency in government, the IRS began declaring old pieces of guidance obsolete.

How well the agency performed this filing season remains unknown as the typical release of end-of-filing season statistics was not announced, nor have any future plans been revealed (although one program – Direct File – is reportedly on the chopping block).

In many ways, the 2025 filing season feels like the calm before the storm.

NO TAX LEGISLATION … YET

Congress took no direct action to move tax legislation during the tax filing season, but the legislative branch was active in laying the foundation for plans to enact President Trump's agenda item of permanently extending the Tax Cuts and Jobs Act. Progress had initially stalled, as the Senate wanted to take a two-stage approach, with one bill addressing the budget and a second bill later in the year addressing the tax issues. However, the House plan to push one grand reconciliation package by the end of the year won out and both chambers passed a framework that sets the stage for more than a trillion dollars in tax cuts that will be funded through ongoing and other planned budget cuts across the government.

The IRS has not been immune to those cuts, as the agency has already seen a reduction in its workforce, though at press time, the lasting impact of those

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cuts has not been fully determined. That being said. it is expected there will be issues with administrative functions as well as disruptions in compliance gains that occurred through the supplemental funding secured by the Inflation Reduction Act, funding that is being targeted by the current administration and GOP-led Congress. One disruption already evident is in agency leadership. At press time. The IRS is on its third interim commissioner since the beginning of the current Trump Administration.

One bit of legislation that has begun its journey in the House and has been released as a discussion draft in the Senate is an enhancement to administrative functions at the IRS that is being met with support from both the National Taxpayer Advocate and the American Institute of CPAs.

The House at the end of March passed a series of individual bills via voice vote (all are included as part of a Senate discussion draft, suggesting that they could be a part of the reconciliation package later this year):

- H.R. 1152 – The Electronic Filing and Payment Fairness Act: The bill would consider an electronic item sent to the IRS as "received" based on the time stamp when the item was sent, similar to when physical mail is;
- H.R. 998 - The Internal Revenue Service Math and Taxpayer Help Act: This would update how the IRS, in letters, communicates math adjustments;
- H.R. 517 – The Filing Relief for Natural Disasters Act: This would allow the IRS to grant federal tax relief once a state governor declares a state of emergency following a natural disaster, ahead of currently waiting for the federal government to do so;
- H.R. 1491 – The Disaster Related Extension of Deadlines Act: The would extend deadlines for those affected by natural disasters to file for a tax refund or tax credit;
- H.R. 997 – The National Taxpayer Advocate Enhancement Act: This would authorize the National Taxpayer Advocate to appoint legal counsel within the Taxpayer Advocate Service to report directly to the NTA; and
- H.R. 1155 – The Recovery of Stolen Checks Act: This would require the Treasury to establish a procedure for those with physical checks stolen to allow for the election that replacement funds be electronically deposited.

The Senate has not yet taken up these items or moved on the discussion draft circulated by the Senate Finance Committee earlier this year.

IRS DIGITAL ASSET REPORTING RULE OVERTURNED

A Treasury rule entitled "Gross Proceeds Reporting by Brokers that Regularly Provide Services Effectuating Digital Asset Sales" has been overturned after resolutions passed in both the House of Representatives and the Senate disapproving of the rule was signed into law by the President on April 10.

The action under the Congressional Review Act rolls back a December 2024 regulation which, according to a report by the Joint Committee on Taxation, addresses "a revised definition of digital asset middleman to encompass certain persons who participate in effectuating decentralized financial transactions (noncustodial industry participants).

In the definition of digital asset middleman, the December 2024 regulations replace 'facilitative services' with 'effectuating services' and provide that an 'effectuating service' includes both the previously-defined 'facilitative services' (as included in the July 2024 Regulations) as well as trading front-end services where the nature of the service arrangement is such that the person providing that service ordinarily would know or be in a position to know that the nature of the transaction potentially gives rise to gross proceeds from the sale of digital assets. Trading front-end services generally facilitate trading for customers who may otherwise need to write software code in order to communicate, and thus transact, with other decentralized finance participants."

During a markup of the resolution in the House Ways and Means Committee on February 26, it was argued that the rule would result in additional paperwork and burden to the taxpayers while providing the Internal Revenue Service with data that has little value to tax administration, although concerns were raised that rolling the regulation back would allow taxpayers to engage in digital asset transactions without reporting the gains from them. The regulation would have applied to digital asset sales after January 1, 2027.

CURRENT BOI REGULATION NO LONGER ENFORCED

As various courts were in process of hearing arguments related to the collection of beneficial ownership information, the Treasury Department rendered the cases moot by announcing changes to actions it would be taking regarding the regulations.

On March 2, the agency said in an announcement that it will not be enforcing beneficial ownership information regulations on U.S. citizens or domestic companies or their beneficial owner under existing deadlines. It added that it will "not enforce any penalties or fines against U.S. citizens or domestic reporting companies or their beneficial owners after the forthcoming rule changes take effect either," and it will, through future rulemaking "narrow the scope of the rule to foreign companies only."

The change came in the wake of the Financial Crimes Enforcement Network announcing that mandatory reporting was back in effect with a new reporting deadline 30 calendar days from February 19 for most companies. The new deadline followed a stay on the injunction order against the reporting requirements put in place by the U.S. District Court for the Eastern District of Texas.

OBSOLETION OF PRIOR IRS GUIDANCE

Pursuant to President Trump's Executive Order 14219, "Ensuring Lawful Governance and Implementing the President's 'Department of Government Efficiency' Deregulatory Initiative," the IRS began reviewing previously issued guidance to uncover and repeal guidance that is not supported by current law.

As a result, on April 14, the IRS issued Notice 2025-22, which declared nine pieces of IRS guidance, dating back to 1991, as obsolete. For the most part, this guidance was effectively obsolete due to statutory changes to the Code, though the guidance was still technically effective, and tax practitioners would have had to reconcile the requirements of the guidance with changes in law. The Notice states that the IRS anticipates this program will result in "revoking or obsoleting hundreds of similar guidance documents in the near future," so this Notice would appear to be the first of many, and possibly just the low-hanging fruit.

DIRECT FILE IN JEOPARDY

The IRS' Direct File program, which began as a pilot in 12 states in the 2024 tax season and expanded to 25 states for the 2025 filing season is likely not going to survive past this year. The program allows individual taxpayers to use the IRS website to prepare and file their tax returns as another option to doing it themselves or engaging with a third-party software program or tax accountant to do it for them.

Direct File has been popular with Congressional Democrats but has been a target of the GOP since the pilot went live. And while the IRS has not made any official announcement regarding the fate of the program, media reports suggest that the agency will end Direct File this year. While there have been some successes, there also have been questions regarding the costs as well as whether the agency had the authority to launch and expand the functionality of the program.

The IRS has not released any updates throughout the tax season on its use as it did throughout the pilot in 2024, so how it was performing this year is not completely clear.