



Note: *The draft you are looking for begins on the next page.*

Caution: DRAFT—NOT FOR FILING

This is an early release draft of an IRS tax form, instructions, or publication, which the IRS is providing for your information. **Do not file draft forms.** We incorporate all significant changes to forms posted with this coversheet. However, unexpected issues occasionally arise, or legislation is passed—in this case, we will post a new draft of the form to alert users that changes were made to the previously posted draft. Thus, there are never any changes to the last posted draft of a form and the final revision of the form. Forms and instructions are subject to OMB approval before they can be officially released, so we post drafts of them until they are approved. Drafts of instructions and pubs usually have some additional changes before their final release. Early release drafts are at [IRS.gov/DraftForms](https://www.irs.gov/DraftForms) and remain there after the final release is posted at [IRS.gov/LatestForms](https://www.irs.gov/LatestForms). Also see [IRS.gov/Forms](https://www.irs.gov/Forms).

Most forms and publications have a page on IRS.gov: [IRS.gov/Form1040](https://www.irs.gov/Form1040) for Form 1040; [IRS.gov/Pub501](https://www.irs.gov/Pub501) for Pub. 501; [IRS.gov/W4](https://www.irs.gov/W4) for Form W-4; and [IRS.gov/ScheduleA](https://www.irs.gov/ScheduleA) for Schedule A (Form 1040), for example, and similarly for other forms, pubs, and schedules for Form 1040. When typing in a link, type it into the address bar of your browser, not a Search box on IRS.gov.

If you wish, you can submit comments to the IRS about draft or final forms, instructions, or pubs at [IRS.gov/FormsComments](https://www.irs.gov/FormsComments). Include “NTF” followed by the form or pub number (for example, “NTF1040”, “NTFW4”, “NTF501”, etc.) in the body of the message to route your message properly. We cannot respond to all comments due to the high volume we receive and may not be able to consider many suggestions until the subsequent revision of the product, but we will review each “NTF” message. If you have comments on reducing paperwork and respondent (filer) burden, with respect to draft or final forms, please respond to the relevant information collection through the Federal Register process; for more info, click [here](#).

Instructions for Form 8725



(December 2025)

Excise Tax on Greenmail

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Form 8725 and its instructions, such as legislation enacted after they were published, go to [IRS.gov/Form8725](https://www.irs.gov/Form8725).

What's New

Direct deposit. If you have access to U.S. banking services or electronic payment systems, you should use direct deposit for any refunds by completing lines 9b, 9c, and 9d.

General Instructions

Purpose of Form

Use Form 8725 to report and pay the 50% excise tax imposed under section 5881 on the gain or other income realized on the receipt of greenmail (defined below). Greenmail is considered received when the gain or other income is realized under your method of accounting regardless of whether the gain or other income is recognized.

Definitions

Greenmail. The term “greenmail” means any amount a corporation (or any person acting in concert with a corporation) pays to a shareholder to directly or indirectly acquire its stock if:

1. The shareholder held the stock (as determined under section 1223) for less than 2 years before entering into the agreement to make the transfer;
2. At some time during the 2-year period ending on the date of acquisition, the shareholder, any person acting in concert with the shareholder, or any person related to either of them (see [Related person](#), later), made or threatened to make a public tender offer for stock of the corporation; and
3. The acquisition was made under an offer that was not made on the same terms to all shareholders.

Note: Payments made in connection with (or in transactions related to) an acquisition are treated as payments made for the acquisition of the stock.

Indirect acquisition of stock. Stock is deemed to have been acquired indirectly by the issuing corporation if such stock is sold to an entity related to the issuing corporation (for example, a controlled subsidiary).

Public tender offer. The term “public tender offer” means any offer to purchase or otherwise acquire stock or assets in a corporation if the offer was required to be filed or registered with any federal or state agency regulating securities.

Related person. A person is considered related to another person if the relationship between such persons would result in losses disallowed under section 267 or 707(b).

Who Must File

You must file Form 8725 if you are liable for the excise tax on greenmail under section 5881. File a separate Form 8725 for each agreement made to transfer stock.

When To File

File Form 8725 by the 90th day following receipt of any portion of the greenmail. If you need more time to file, use Form 7004, Application for Automatic Extension of Time To File Certain Business Income Tax, Information, and Other Returns, by the due date of Form 8725. Form 7004 doesn't extend the time for payment of tax.

Where To File

File Form 8725 at the following address.

Department of the Treasury
Internal Revenue Service
Kansas City, MO 64999

Rounding Off to Whole Numbers

You may show money items on the return as whole dollars. To do so, drop any amount under 50 cents and increase amounts from 50 to 99 cents to the next dollar. For example, \$8.40 rounds to \$8 and \$8.50 rounds to \$9.

If two or more amounts are added to figure the amount to enter on a line, include cents when adding the amounts and round off only the total.

Amended Return

To amend a previously filed Form 8725, file a corrected Form 8725 and write “Amended” at the top of the form.

Attachments

If more space is needed, attach separate pages to Form 8725. Be sure to put your name and identifying number on each page.

Signature

See the instructions for the signature section of your federal income tax return.

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Interest and Penalties

Interest. Interest is charged on taxes not paid by the due date at a rate determined under section 6621.

Late filing of return. A penalty of 5% a month or part of a month, up to a maximum of 25%, is imposed on the net amount due if Form 8725 isn't filed when due.

Late payment of tax. Generally, the penalty for not paying tax when due is $\frac{1}{2}$ of 1% of the unpaid amount, up to a maximum of 25%, for each month or part of a month the tax remains unpaid. The penalty is imposed on the net amount due.

Specific Instructions

Name and address. Enter the name shown on your most recently filed federal income tax return. Include the room, suite, apartment, or other unit number after the street address. If the post office doesn't deliver mail to the street address and the taxpayer has a P.O. box, show the box number instead of the street address.

Identifying number. If you are an individual, enter your social security number. If you're a nonresident or resident alien and you don't have and aren't eligible for a social security number, enter your individual taxpayer identification number. Other filers should enter their employer identification number.

Tax Computation

Line 1. Net sales price. Enter the net proceeds received from the sale of the stock subject to the excise tax.

Line 2, column (a). For each separate acquisition of stock subject to the excise tax, enter the date acquired (for example, the trade date for stock traded on an exchange or over the counter). See section 1223 for special rules on determining the holding period of stock received in an exchange, for stock that has the same basis in whole or in part as it would have in the hands of another person, for stock subject to the wash sale rules of section 1091, etc.

Line 2, column (c). The cost or other basis of stock is generally the cost of the stock plus purchase commissions. If you inherited the stock, received it as a gift, received it in a tax-free exchange, or re-acquired stock in a wash sale transaction subject to the rules of section 1091, you may not be able to use the actual cash cost as the basis. If you don't use cash cost, attach an explanation of your basis. Be sure to adjust your basis by subtracting all the nontaxable distributions you received before the sale. Also adjust your basis for any stock splits. For more information, see Pub. 551, Basis of Assets.

Line 4. Other income. If you realized any other income that is subject to the excise tax, enter the amount of the income on line 4.

Line 5. Total gain and other income. You must include the recognized portion of the amount on line 5 as income on your federal income tax return.

Line 6. Tax. You may not claim a deduction on your federal income tax return for the amount shown on line 6.

Line 7. Less tax paid with Form 7004. If you filed Form 7004, enter the amount of tax paid, if any, when you filed that form.

Line 8. Tax due. You must pay the tax due in full when you file Form 8725. The IRS recommends paying electronically whenever possible. Options to pay electronically include any of the payment options below. Go to [IRS.gov/Payments](https://www.irs.gov/Payments) to see all of your payment options.

IRS Direct Pay. Pay taxes from your bank account. IRS Direct Pay:

- Is free and secure,
- Requires no sign-in, and
- Allows you to change or cancel within 2 days of your scheduled payment.

Debit card, credit card, or digital wallet. The IRS uses third-party payment processors for payments by debit and credit card. It's safe and secure; your information is used solely to process your payment. A fee is charged by these service providers.

Electronic funds withdrawal (EFW). EFW is an integrated e-file/e-pay option offered only when filing your federal taxes using tax preparation software or through a tax professional. Using this payment option, you may submit one or more payment requests for direct debit from your designated bank account.

Electronic Federal Tax Payment Systems (EFTPS). Payment of the tax due may be submitted electronically through EFTPS. EFTPS is a free service of the Department of the Treasury.

To be considered timely, payments made through EFTPS must be completed no later than 8:00 p.m. Eastern time the day before the due date. All EFTPS payments must be scheduled in advance of the due date and, if necessary, may be changed or canceled up to 2 business days before the scheduled payment date.

To get more information about EFTPS or to enroll in EFTPS, go to [EFTPS.gov](https://www.eftps.gov) or call 800-555-4477. To contact EFTPS using Telecommunications Relay Services (TRS) for people who are deaf, hard of hearing, or have a speech disability, dial 711 and then provide the TRS assistant the 800-555-4477 number above or 800-733-4829. Additional information about EFTPS is available in Pub. 966, Electronic Federal Tax Payment System: A Guide to Getting Started.

Same-day wire. Payment of the tax due shown on Form 8924 may be submitted electronically through same-day wire from your financial institution. Contact your financial institution for availability, cost, and time frames.

What you need to know about making a same-day wire payment.

- You don't need to enroll to make a same-day wire payment and no personal identification number (PIN) is needed.
- Your financial institution may charge a fee for this service.
- The cutoff time to make a same-day wire payment is 5:00 p.m. Eastern time. Your financial institution may have an earlier cutoff time.

Paying by cash. You may be able to pay your balance due with cash at participating retail stores. See [IRS.gov/PayWithCash](https://www.irs.gov/PayWithCash).

Line 9. Overpayment. To the extent permitted by law, the Secretary of the Treasury will cease issuing paper checks for all federal disbursements. Direct deposit is available for this form. If there is an overpayment when filing your return, complete lines 9b, 9c, and 9d to enter your direct deposit information. If you qualify for an exception, an alternative payment option (paper check) may be permitted. See [Non-electronic federal disbursement exceptions](#), later, for more information.

Why use direct deposit? You get your refund faster by direct deposit than you do by check. Payment is more secure. There is no check that can get lost or stolen. It is more convenient. You don't have to make a trip to the bank to deposit your check. It saves tax dollars. It costs the government less to refund by direct deposit. It's proven itself. Nearly 90% of social security and veterans benefits are sent electronically using direct deposit.

Account must be in your name. Don't request a deposit of your refund to an account that isn't in your name. The number of refunds that can be directly deposited to a single account or prepaid debit card is limited to three a year. After this limit is reached, paper checks will be sent instead. Learn more at [IRS.gov/DepositLimit](https://www.irs.gov/DepositLimit).

Line 9a. If line 9a is under \$1, we will send a refund only on written request.

Line 9b. The routing number must be nine digits. The first two digits must be 01 through 12 or 21 through 32. Ask your financial institution for the correct routing number to enter on line 9b if:

- The routing number on a deposit slip is different from the routing number on your checks,
- Your deposit is to a savings account that doesn't allow you to write checks, or
- Your checks state they are payable through a financial institution different from the one with which you have your checking account.

Line 9c. Check the appropriate box for the type of account. Don't check more than one box. You must check the correct box to ensure your deposit is accepted.

Line 9d. The account number can be up to 17 characters (both numbers and letters). Include hyphens but omit spaces and special symbols. Enter the number from left to right and leave any unused boxes blank. Don't include the check number.

If the direct deposit to your account is different from the amount you expected, you will receive an explanation in the mail about 2 weeks after your refund is deposited.

Reasons your direct deposit will be rejected. If any of the following apply, your direct deposit request will be rejected and a check will be sent instead.

- You're asking to have a joint refund deposited to an individual account, and your financial institution(s) won't allow this. The IRS isn't responsible if a financial institution rejects a direct deposit.
- The name on your account doesn't match the name on the refund, and your financial institution(s) won't

allow a refund to be deposited unless the name on the refund matches the name on the account.

- Three direct deposits of tax refunds have already been made to the same account or prepaid debit card.
- You haven't given a valid account number.
- Any numbers or letters on lines 9b through 9d are crossed out or whited out.

Note: The IRS isn't responsible for a lost refund if you enter the wrong account information. Check with your financial institution to get the correct routing and account numbers and to make sure your direct deposit will be accepted.

Non-electronic federal disbursement exceptions. If you qualify for one of the exceptions below, a paper check may still be permitted as a federal disbursement option.

- Individuals who don't have access to banking services or electronic payment systems.
- Certain emergency payments where electronic disbursement would cause undue hardship, as contemplated in 31 CFR Part 208.
- National security- or law enforcement-related activities where non-EFT transactions are necessary or desirable.
- Other circumstances as determined by the Secretary of the Treasury, as reflected in regulations or other guidance.

Note: If you don't qualify for one of the exceptions above, the direct deposit information must be entered on lines 9b, 9c, and 9d. If you do qualify for an exception above, leave lines 9b, 9c, and 9d blank.

Paid Preparer Use Only

A paid preparer must sign Form 8725 and provide the information in the Paid Preparer Use Only section at the end of the form if the preparer was paid to prepare the form and isn't an employee of the filing entity. The preparer must give you a copy of the form in addition to the copy to be filed with the IRS.

If you're a paid preparer, enter your preparer tax identification number (PTIN) in the space provided. Include your complete address. If you work for a firm, you must also enter the firm's name and EIN. However, you can't use the PTIN of the tax preparation firm in place of your PTIN.

You can apply for a PTIN online or by filing Form W-12, IRS Paid Preparer Tax Identification Number (PTIN) Application and Renewal. For more information about applying for a PTIN online, go to [IRS.gov/PTIN](https://www.irs.gov/PTIN).

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

Section 6109 requires you to provide your identifying number. Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation, and to cities, states, the District of Columbia, and U.S. commonwealths and possessions for use in administering their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state

agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism. Failure to provide this information in a timely manner or providing false or fraudulent information may subject you to penalties.

You aren't required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping	5hr., 30 min.
Learning about the law or the form	1 hr.
Preparing, copying, assembling, and sending the form to the IRS	1 hr., 7 min.

Comments and suggestions. If you have suggestions for making this form simpler, we would be happy to hear from you. You can send us comments through [IRS.gov/FormComments](https://www.irs.gov/formcomments). Or you can write to the Internal Revenue Service, Tax Forms and Publications Division, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. **Don't** send Form 8725 to this address. Instead, see [Where To File](#), earlier.

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