INTERNAL REVENUE SERVICE

IRS News Release

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Treasury and IRS Issue Notice Regarding Improper Deductions for Conservation Easement Donations

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WASHINGTON — Today the Treasury Department and the Internal Revenue Service issued a notice to advise taxpayers that the IRS intends to disallow improper charitable contribution deductions for transfers of easements on real property to charitable organizations and for transfers of easements in connection with purchases of real property from charitable organizations. Taxpayers claiming improper charitable contribution deductions for such transfers may be subject to accuracy-related penalties.

"We've uncovered numerous instances where the tax benefits of preserving open spaces and historic buildings have been twisted for inappropriate individual benefit," said IRS Commissioner Mark W. Everson. "Taxpayers who want to game the system and the charities that assist them will be called to account."

The IRS is aware that some taxpayers are claiming inappropriate charitable contribution deductions for easement transfers that do not qualify as qualified conservation contributions, or are claiming deductions for amounts that exceed the fair market value of the donated easement.

In addition, the IRS is aware that some taxpayers are claiming inappropriate charitable contribution deductions for cash payments or easement transfers to charitable organizations in connection with the taxpayers' purchases of real property.

The IRS may impose penalties on promoters, appraisers and other persons involved in these transactions. In appropriate cases, the IRS may challenge the tax-exempt status of the charitable organization, based on the organization's operation for a substantial nonexempt purpose or impermissible private benefit.

One of the agency's four service-wide enforcement priorities is to discourage and deter non-compliance within tax-exempt and government entities and misuse of such entities by third parties for tax avoidance and other unintended purposes.

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