

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

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Dear _____ :

I am writing in response to your letter dated May 23, 2019, addressed to Senator Johnny Isakson and Senator David A. Perdue. The senators forwarded your letter to this office for response.

The Internal Revenue Service's mission is to provide taxpayers with top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness. Its current education and compliance efforts in the area of charitable deductions for conservation easements are being undertaken in furtherance of this mission, keeping in mind, and giving full effect to, the purpose of the conservation easement deduction statute enacted by Congress.

The IRS encourages conservation contributions by assisting taxpayers in understanding what they need to do to contribute a deductible easement. A detailed and lengthy Conservation Easement Audit Techniques Guide designed for use by IRS examiners and IRS appraisers is available to taxpayers at www.irs.gov/pub/irs-utl/conservation_easement.pdf.

In addition, Chief Counsel attorneys frequently participate as presenters in conferences and webinars organized by land trusts and professional appraiser organizations, and the IRS welcomes comments and suggestions. With input from appraisers and appraisal organizations, the IRS and Treasury finalized regulations that provide a new definition of "qualified appraiser" and "qualified appraisal". See Treasury Regulation section 1.170A-17 (published July 30, 2018), effective for contributions on and after January 1, 2019.

Your letter accurately notes that the IRS believes that significant abuse of the conservation easement deduction continues to exist, particularly overvaluation of easements. Overvaluations pose a vexing and persistent problem, which the IRS addresses in Treasury Regulation section 1.170A-17 and in the syndicated conservation easement listing notice, Notice 2017-10.

The IRS has made overvalued easements an enforcement priority. IRS examiners are trained to look for overvaluation indicators, which are nearly always the primary reason for commencing a conservation easement deduction audit.

Easement donors who rely on appraisers with extensive professional qualifications and experience may in good faith believe that the appraisals they prepare contain correct conclusions of value and comport with statutory and regulatory requirements. At times, however, the reliance is misplaced. When appraisals look too good to be true, taxpayers who rely on them are taking a risk.

I hope this information is helpful. Please contact _____ at _____, Identification Number _____, if you have additional questions or would like to discuss further.

Sincerely,

MICHAEL J. DESMOND
Chief Counsel
Internal Revenue Service

cc: Senator Johnny Isakson

Senator David A. Perdue