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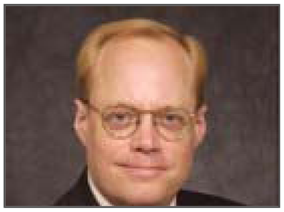

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Mar. 14 2012 — 11:45 pm

Golf Course Tax Deductions Hit The Rough

As is noted here, IRS Still Fighting Conservation Tax Breaks, the IRS doesn't much like conservation easements. A conservation easement is a legal right to enforce the preservation of the land. Isn't that a good thing?

Image via fournationsgolfchallenge.co.uk

Maybe, but because putting a conservation easement on property restricts its future development, it has qualified for a tax deduction. Easements can include natural habitat as well as the historical façade of a building to preserve its exterior. However, the law allowing enhanced conservation easement tax deductions to be claimed ***expired*** December 31, 2011.

So why should the IRS still care? Because there were plenty claimed in the last months and years of this tax benefit. They seem a ripe place for audit. See IRS Conservation Easement Audit Techniques Guide. After all, some taxpayers have been aggressive with their valuations.

Moreover, there are many technical requirements for tax-exempt recipient organizations and the type of property. There is a list of permitted purposes, including preserving land for outdoor recreation or the education of the general public, protecting natural habitat, or preserving open space for the scenic enjoyment of the public.

But even if the enhanced conservation easement tax provision comes back into the law, it looks possible that golf course deals will not qualify. In fact, the elimination of the charitable deduction for contributions of conservation easements on golf courses is included in the Obama administration's fiscal 2013 revenue proposals. This appears to be in response to the major shellacking the IRS got when the Tax Court blessed a $28.6 million charitable contribution deduction for the donation of a conservation easement encumbering the Kiva Dunes golf course. See *Kiva Dunes Conservation, LLC v. Commissioner*. For more, see Proposal to Eliminate Charitable Deductions for Golf Course Easements.

Kiva Dunes was a big case and the Obama administration's reaction is in some ways understandable. It seems like a tax break for developers which aren't popular these days. On the other hand, the case was really all about substantiation and expert valuation testimony, as noted here: Conservation Easements, Valuation, and Substantiation. Valuation issues are key to many charitable contributions.

In disputes that go to court, government lawyers may complain that private taxpayers can afford fancier appraisers than the government. Kiva Dunes provides a great roadmap for the care and feeding of an outstanding valuation expert. For a taxpayer armed with a good appraisal and a credible expert, charitable conservation easements are an enormously good deal.

For more, see:

Mortgage Kills Facade Easement Tax Deduction

Secure a Conservation Easement Now!

Courts to IRS: Ease up on Conservation Easement Valuations

Conservation Easements Conserve Taxes and More

Conservation Easements, the IRS & Charity

Conservation Easements, Valuation, and Substantiation

Rich "Conservation Easement" Tax Break Ends

Conservation Easements: Quid Pro Quo Revisited

Rich "Conservation Easement" Tax Break Ends 12/31/11

IRS Still Fighting Conservation Tax Breaks

Fancy Appraisals Can Defeat IRS

Conservation Easement Audit Techniques Guide

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