

TAX REFORM PANEL RELEASES FINAL REPORT

Report Language Holds Implications for Easements

November 10, 2005 - On November 1st, the President's Advisory Panel on Federal Tax Reform issued its final report to the Secretary of the Treasury on recommendations "to make the tax code simpler, fairer, and more pro-growth to benefit all Americans". The bipartisan panel was created by an Executive Order in January 2005 for the purpose of submitting to the Treasury a report with revenue neutral policy options for reforming the Federal Internal Revenue Code.

Buried in the 200+ page report is language aimed at reducing controversy and uncertainty in valuing charitable gifts of property. The panel recommends that current rules for valuing donated property be tightened and made more explicit to prevent abuses. Specifically, the panel believes it is necessary to implement standards for appraisals including 1) new rules requiring clearer standards for appraisals; 2) information reporting by appraisers to the IRS, donor, and charity of the appraised property value; and 3) new penalties for appraisers who misstate the value of property.

These recommendations would have implications for conservation and preservation easements, which came under fire last year for perceived abuses regarding valuation, and prompted the Joint Committee on Taxation (JCT) to issue a report last January which drastically limited the incentives for conservation and preservation easements. The Panel on Federal Reform recommendations represent a welcome compromise from the severe measures outlined in the JCT report. The preservation community, as evidenced by testimony at a June 23rd hearing of the House Ways and Means Subcommittee on Oversight, expressed concern of over-valuation of facade easements and supported establishment of appraisal standards.

It is anticipated that the report findings will be incorporated in future legislation. Stay tuned as more information becomes available.