

Alert | Tax Controversy and Litigation



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IRS to Send Settlement Offer Letters to Some Taxpayers Who Participated in Syndicated Conservation Easement Transactions

On June 26, 2024, the Internal Revenue Service **announced** it would be sending settlement offer letters to some taxpayers who participated in syndicated conservation easements (SCE) and other substantially similar transactions that are under audit. According to the press release, the IRS has considered feedback from stakeholders outside of the agency and will make the settlement offers to promote sound tax administration.

What Is Known about the Settlement Offers?

The IRS announcement does not include many details, but this is what we know currently:

- The IRS will mail the settlement offer letters to eligible taxpayers in July.
- Taxpayers who do not receive a letter from the IRS are ineligible to participate in the settlement. This includes taxpayers who have SCE cases pending in the U.S. Tax Court.
- The announcement does not provide the specific terms of the settlement offer; however, it indicates that eligible taxpayers will be required to concede a substantial portion of the tax benefits of participating in the SCEs. The IRS will also impose penalties.
- Eligible taxpayers will have a limited time to accept the IRS's settlement offer.

- If a taxpayer decides not to accept the settlement offer, the IRS will continue to pursue enforcement action, including the full disallowance of the taxpayer's charitable contribution deduction and the imposition of all applicable penalties.

What Should You Do If You Receive a Settlement Offer from the IRS?

The IRS's announcement of the settlement offer demonstrates that SCEs remain an important enforcement priority. The agency has had considerable success litigating SCEs in the U.S. Tax Court, and the government has successfully prosecuted multiple SCE promoters. To prevent further abuse, Congress passed legislation in the 2.0 Secure Act to limit charitable contribution deductions under I.R.C. § 170.

While the terms of the settlement remain unclear, taxpayers who receive a letter from the IRS should carefully evaluate the offer with their advisors.

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