



TaxNewsFlash

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Final regulations: Disallowance of deductions for certain conservation easement contributions by partnerships, S corporations

The U.S. Treasury Department and IRS today released [final regulations](#) (T.D. 9999) concerning the statutory disallowance rule enacted by the SECURE 2.0 Act of 2022 (signed into law on December 29, 2022, as part of the “Consolidated Appropriations Act of 2023” (H.R. 2617)) to disallow a federal income tax deduction for a qualified conservation contribution made by a partnership or an S corporation after December 29, 2022, if the amount of the contribution exceeds 2.5 times the sum of each partner’s or S corporation shareholder’s relevant basis.

The final regulations are effective on the date the regulations are published in the Federal Register, which is scheduled to be June 28, 2024.

Consistent with the proposed regulations issued in November 2023 (read [TaxNewsFlash](#)), the final regulations provide:

- Guidance regarding the statutory disallowance rule, including:
 - Definitions
 - Appropriate methods to calculate the relevant basis of a partner or an S corporation shareholder
 - The three statutory exceptions to the statutory disallowance rule
 - Related reporting requirements
- Reporting requirements for partners and S corporation shareholders that receive a distributive share or pro rata share of any noncash charitable contribution made by a partnership or S corporation, regardless of whether the contribution is a qualified conservation contribution (and regardless of whether the contribution is of real property or other noncash property)

Also consistent with the proposed regulations, the final regulations introduce several new concepts to implement the statutory disallowance rule, such as the new term “ultimate member” and new modified basis calculations. The final regulations also clarify the IRS and Treasury’s position that the three exceptions to the statutory disallowance rule do not create any “safe harbors,” and provide detailed rules for tiered partnership and tiered S corporation structures.

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