

20 **SEC. 1206. ENCOURAGEMENT OF CONTRIBUTIONS OF CAP-**
21 **ITAL GAIN REAL PROPERTY MADE FOR CON-**
22 **SERVATION PURPOSES.**

23 (a) IN GENERAL.—

24 (1) INDIVIDUALS.—Paragraph (1) of section
25 170(b) (relating to percentage limitations) is amend-

1 ed by redesignating subparagraphs (E) and (F) as
2 subparagraphs (F) and (G), respectively, and by in-
3 serting after subparagraph (D) the following new
4 subparagraph:

5 “(E) CONTRIBUTIONS OF QUALIFIED CON-
6 SERVATION CONTRIBUTIONS.—

7 “(i) IN GENERAL.—Any qualified con-
8 servation contribution (as defined in sub-
9 section (h)(1)) shall be allowed to the ex-
10 tent the aggregate of such contributions
11 does not exceed the excess of 50 percent of
12 the taxpayer’s contribution base over the
13 amount of all other charitable contribu-
14 tions allowable under this paragraph.

15 “(ii) CARRYOVER.—If the aggregate
16 amount of contributions described in clause
17 (i) exceeds the limitation of clause (i), such
18 excess shall be treated (in a manner con-
19 sistent with the rules of subsection (d)(1))
20 as a charitable contribution to which clause
21 (i) applies in each of the 15 succeeding
22 years in order of time.

23 “(iii) COORDINATION WITH OTHER
24 SUBPARAGRAPHS.—For purposes of apply-
25 ing this subsection and subsection (d)(1),

1 contributions described in clause (i) shall
2 not be treated as described in subpara-
3 graph (A), (B), (C), or (D) and such sub-
4 paragraphs shall apply without regard to
5 such contributions.

6 “(iv) SPECIAL RULE FOR CONTRIBU-
7 TION OF PROPERTY USED IN AGRICULTURE
8 OR LIVESTOCK PRODUCTION.—

9 “(I) IN GENERAL.—If the indi-
10 vidual is a qualified farmer or rancher
11 for the taxable year for which the con-
12 tribution is made, clause (i) shall be
13 applied by substituting ‘100 percent’
14 for ‘50 percent’.

15 “(II) EXCEPTION.—Subclause (I)
16 shall not apply to any contribution of
17 property made after the date of the
18 enactment of this subparagraph which
19 is used in agriculture or livestock pro-
20 duction (or available for such produc-
21 tion) unless such contribution is sub-
22 ject to a restriction that such property
23 remain available for such production.
24 This subparagraph shall be applied
25 separately with respect to property to

1 which subclause (I) does not apply by
2 reason of the preceding sentence prior
3 to its application to property to which
4 subclause (I) does apply.

5 “(v) DEFINITION.—For purposes of
6 clause (iv), the term ‘qualified farmer or
7 rancher’ means a taxpayer whose gross in-
8 come from the trade or business of farm-
9 ing (within the meaning of section
10 2032A(e)(5)) is greater than 50 percent of
11 the taxpayer’s gross income for the taxable
12 year.

13 “(vi) TERMINATION.—This subpara-
14 graph shall not apply to any contribution
15 made in taxable years beginning after De-
16 cember 31, 2007.”.

17 (2) CORPORATIONS.—Paragraph (2) of section
18 170(b) is amended to read as follows:

19 “(2) CORPORATIONS.—In the case of a corpora-
20 tion—

21 “(A) IN GENERAL.—The total deductions
22 under subsection (a) for any taxable year (other
23 than for contributions to which subparagraph
24 (B) applies) shall not exceed 10 percent of the
25 taxpayer’s taxable income.

1 “(B) QUALIFIED CONSERVATION CON-
2 TRIBUTIONS BY CERTAIN CORPORATE FARMERS
3 AND RANCHERS.—

4 “(i) IN GENERAL.—Any qualified con-
5 servation contribution (as defined in sub-
6 section (h)(1))—

7 “(I) which is made by a corpora-
8 tion which, for the taxable year during
9 which the contribution is made, is a
10 qualified farmer or rancher (as de-
11 fined in paragraph (1)(E)(v)) and the
12 stock of which is not readily tradable
13 on an established securities market at
14 any time during such year, and

15 “(II) which, in the case of con-
16 tributions made after the date of the
17 enactment of this subparagraph, is a
18 contribution of property which is used
19 in agriculture or livestock production
20 (or available for such production) and
21 which is subject to a restriction that
22 such property remain available for
23 such production,

24 shall be allowed to the extent the aggregate
25 of such contributions does not exceed the

1 excess of the taxpayer's taxable income
2 over the amount of charitable contributions
3 allowable under subparagraph (A).

4 “(ii) CARRYOVER.—If the aggregate
5 amount of contributions described in clause
6 (i) exceeds the limitation of clause (i), such
7 excess shall be treated (in a manner con-
8 sistent with the rules of subsection (d)(2))
9 as a charitable contribution to which clause
10 (i) applies in each of the 15 succeeding
11 years in order of time.

12 “(iii) TERMINATION.—This subpara-
13 graph shall not apply to any contribution
14 made in taxable years beginning after De-
15 cember 31, 2007.

16 “(C) TAXABLE INCOME.—For purposes of
17 this paragraph, taxable income shall be com-
18 puted without regard to—

19 “(i) this section,

20 “(ii) part VIII (except section 248),

21 “(iii) any net operating loss carryback
22 to the taxable year under section 172,

23 “(iv) section 199, and

24 “(v) any capital loss carryback to the
25 taxable year under section 1212(a)(1).”.

1 (b) CONFORMING AMENDMENTS.—

2 (1) Paragraph (2) of section 170(d) is amended
3 by striking “subsection (b)(2)” each place it appears
4 and inserting “subsection (b)(2)(A)”.

5 (2) Section 545(b)(2) is amended by striking
6 “and (D)” and inserting “(D), and (E)”.

7 (c) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to contributions made in taxable
9 years beginning after December 31, 2005.

1 **SEC. 1213. REFORM OF CHARITABLE CONTRIBUTIONS OF**
2 **CERTAIN EASEMENTS IN REGISTERED HIS-**
3 **TORIC DISTRICTS AND REDUCED DEDUCTION**
4 **FOR PORTION OF QUALIFIED CONSERVATION**
5 **CONTRIBUTION ATTRIBUTABLE TO REHA-**
6 **BILITATION CREDIT.**

7 (a) SPECIAL RULES WITH RESPECT TO BUILDINGS
8 IN REGISTERED HISTORIC DISTRICTS.—

9 (1) IN GENERAL.—Paragraph (4) of section
10 170(h) (relating to definition of conservation pur-
11 pose) is amended by redesignating subparagraph (B)
12 as subparagraph (C) and by inserting after subpara-
13 graph (A) the following new subparagraph:

14 “(B) SPECIAL RULES WITH RESPECT TO
15 BUILDINGS IN REGISTERED HISTORIC DIS-
16 TRICTS.—In the case of any contribution of a
17 qualified real property interest which is a re-
18 striction with respect to the exterior of a build-
19 ing described in subparagraph (C)(ii), such con-
20 tribution shall not be considered to be exclu-
21 sively for conservation purposes unless—

22 “(i) such interest—

23 “(I) includes a restriction which
24 preserves the entire exterior of the
25 building (including the front, sides,
26 rear, and height of the building), and

1 “(II) prohibits any change in the
2 exterior of the building which is incon-
3 sistent with the historical character of
4 such exterior,

5 “(ii) the donor and donee enter into a
6 written agreement certifying, under pen-
7 alty of perjury, that the donee—

8 “(I) is a qualified organization
9 (as defined in paragraph (3)) with a
10 purpose of environmental protection,
11 land conservation, open space preser-
12 vation, or historic preservation, and

13 “(II) has the resources to man-
14 age and enforce the restriction and a
15 commitment to do so, and

16 “(iii) in the case of any contribution
17 made in a taxable year beginning after the
18 date of the enactment of this subpara-
19 graph, the taxpayer includes with the tax-
20 payer’s return for the taxable year of the
21 contribution—

22 “(I) a qualified appraisal (within
23 the meaning of subsection (f)(11)(E))
24 of the qualified property interest,

1 “(II) photographs of the entire
2 exterior of the building, and

3 “(III) a description of all restric-
4 tions on the development of the build-
5 ing.”.

6 (b) DISALLOWANCE OF DEDUCTION FOR STRUC-
7 TURES AND LAND IN REGISTERED HISTORIC DIS-
8 TRICTS.—Subparagraph (C) of section 170(h)(4), as re-
9 designated by subsection (a), is amended—

10 (1) by striking “any building, structure, or land
11 area which”,

12 (2) by inserting “any building, structure, or
13 land area which” before “is listed” in clause (i), and

14 (3) by inserting “any building which” before “is
15 located” in clause (ii).

16 (c) FILING FEE FOR CERTAIN CONTRIBUTIONS.—
17 Subsection (f) of section 170 (relating to disallowance of
18 deduction in certain cases and special rules) is amended
19 by adding at the end the following new paragraph:

20 “(13) CONTRIBUTIONS OF CERTAIN INTERESTS
21 IN BUILDINGS LOCATED IN REGISTERED HISTORIC
22 DISTRICTS.—

23 “(A) IN GENERAL.—No deduction shall be
24 allowed with respect to any contribution de-
25 scribed in subparagraph (B) unless the tax-

1 payer includes with the return for the taxable
2 year of the contribution a \$500 filing fee.

3 “(B) CONTRIBUTION DESCRIBED.—A con-
4 tribution is described in this subparagraph if
5 such contribution is a qualified conservation
6 contribution (as defined in subsection (h))
7 which is a restriction with respect to the exte-
8 rior of a building described in subsection
9 (h)(4)(C)(ii) and for which a deduction is
10 claimed in excess of \$10,000.

11 “(C) DEDICATION OF FEE.—Any fee col-
12 lected under this paragraph shall be used for
13 the enforcement of the provisions of subsection
14 (h).”.

15 (d) REDUCED DEDUCTION FOR PORTION OF QUALI-
16 FIED CONSERVATION CONTRIBUTION ATTRIBUTABLE TO
17 THE REHABILITATION CREDIT.—Subsection (f) of section
18 170, as amended by subsection (c), is amended by adding
19 at the end the following new paragraph:

20 “(14) REDUCTION FOR AMOUNTS ATTRIB-
21 UTABLE TO REHABILITATION CREDIT.—In the case
22 of any qualified conservation contribution (as de-
23 fined in subsection (h)), the amount of the deduction
24 allowed under this section shall be reduced by an

1 amount which bears the same ratio to the fair mar-
2 ket value of the contribution as—

3 “(A) the sum of the credits allowed to the
4 taxpayer under section 47 for the 5 preceding
5 taxable years with respect to any building which
6 is a part of such contribution, bears to

7 “(B) the fair market value of the building
8 on the date of the contribution.”.

9 (e) EFFECTIVE DATES.—

10 (1) SPECIAL RULES FOR BUILDINGS IN REG-
11 ISTERED HISTORIC DISTRICTS.—The amendments
12 made by subsection (a) shall apply to contributions
13 made after July 25, 2006.

14 (2) DISALLOWANCE OF DEDUCTION FOR STRUC-
15 TURES AND LAND; REDUCTION FOR REHABILITA-
16 TION CREDIT.—The amendments made by sub-
17 sections (b) and (d) shall apply to contributions
18 made after the date of the enactment of this Act.

19 (3) FILING FEE.—The amendment made by
20 subsection (c) shall apply to contributions made 180
21 days after the date of the enactment of this Act.

21 **SEC. 1219. PROVISIONS RELATING TO SUBSTANTIAL AND**
22 **GROSS OVERSTATEMENTS OF VALUATIONS.**
23 (a) MODIFICATION OF THRESHOLDS FOR SUBSTAN-
24 TIAL AND GROSS VALUATION MISSTATEMENTS.—

1 (1) SUBSTANTIAL VALUATION
2 MISSTATEMENT.—

3 (A) INCOME TAXES.—Subparagraph (A) of
4 section 6662(e)(1) (relating to substantial valu-
5 ation misstatement under chapter 1) is amend-
6 ed by striking “200 percent” and inserting
7 “150 percent”.

8 (B) ESTATE AND GIFT TAXES.—Paragraph
9 (1) of section 6662(g) is amended by striking
10 “50 percent” and inserting “65 percent”.

11 (2) GROSS VALUATION MISSTATEMENT.—

12 (A) INCOME TAXES.—Clauses (i) and (ii)
13 of section 6662(h)(2)(A) (relating to increase in
14 penalty in case of gross valuation
15 misstatements) are amended to read as follows:

16 “(i) in paragraph (1)(A), ‘200 per-
17 cent’ for ‘150 percent’,

18 “(ii) in paragraph (1)(B)(i)—

19 “(I) ‘400 percent’ for ‘200 per-
20 cent’, and

21 “(II) ‘25 percent’ for ‘50 per-
22 cent’, and”.

23 (B) ESTATE AND GIFT TAXES.—Subpara-
24 graph (C) of section 6662(h)(2) is amended by

1 striking “‘25 percent’ for ‘50 percent’” and in-
2 serting “‘40 percent’ for ‘65 percent’”.

3 (3) **ELIMINATION OF REASONABLE CAUSE EX-**
4 **CEPTION FOR GROSS MISSTATEMENTS.**—Section
5 6664(c)(2) (relating to reasonable cause exception
6 for underpayments) is amended by striking “para-
7 graph (1) shall not apply unless” and inserting
8 “paragraph (1) shall not apply. The preceding sen-
9 tence shall not apply to a substantial valuation over-
10 statement under chapter 1 if”.

11 (b) **PENALTY ON APPRAISERS WHOSE APPRAISALS**
12 **RESULT IN SUBSTANTIAL OR GROSS VALUATION**
13 **MISSTATEMENTS.**—

14 (1) **IN GENERAL.**—Part I of subchapter B of
15 chapter 68 (relating to assessable penalties) is
16 amended by inserting after section 6695 the fol-
17 lowing new section:

18 **“SEC. 6695A. SUBSTANTIAL AND GROSS VALUATION**
19 **MISSTATEMENTS ATTRIBUTABLE TO INCOR-**
20 **RECT APPRAISALS.**

21 **“(a) IMPOSITION OF PENALTY.**—If—

22 **“(1) a person prepares an appraisal of the**
23 **value of property and such person knows, or reason-**
24 **ably should have known, that the appraisal would be**

1 used in connection with a return or a claim for re-
2 fund, and

3 “(2) the claimed value of the property on a re-
4 turn or claim for refund which is based on such ap-
5 praisal results in a substantial valuation
6 misstatement under chapter 1 (within the meaning
7 of section 6662(e)), or a gross valuation
8 misstatement (within the meaning of section
9 6662(h)), with respect to such property, then such
10 person shall pay a penalty in the amount determined
11 under subsection (b).

12 “(b) AMOUNT OF PENALTY.—The amount of the
13 penalty imposed under subsection (a) on any person with
14 respect to an appraisal shall be equal to the lesser of—

15 “(1) the greater of—

16 “(A) 10 percent of the amount of the un-
17 derpayment (as defined in section 6664(a)) at-
18 tributable to the misstatement described in sub-
19 section (a)(2), or

20 “(B) \$1,000, or

21 “(2) 125 percent of the gross income received
22 by the person described in subsection (a)(1) from
23 the preparation of the appraisal.

24 “(c) EXCEPTION.—No penalty shall be imposed
25 under subsection (a) if the person establishes to the satis-

1 faction of the Secretary that the value established in the
2 appraisal was more likely than not the proper value.”.

3 (2) RULES APPLICABLE TO PENALTY.—Section
4 6696 (relating to rules applicable with respect to
5 sections 6694 and 6695) is amended—

6 (A) by striking “6694 and 6695” each
7 place it appears in the text and heading thereof
8 and inserting “6694, 6695, and 6695A”, and

9 (B) by striking “6694 or 6695” each place
10 it appears in the text and inserting “6694,
11 6695, or 6695A”.

12 (3) CONFORMING AMENDMENT.—The table of
13 sections for part I of subchapter B of chapter 68 is
14 amended by striking the item relating to section
15 6696 and inserting the following new items:

“Sec. 6695A. Substantial and gross valuation misstatements attributable to in-
correct appraisals.

“Sec. 6696. Rules applicable with respect to sections 6694, 6695, and 6695A.”.

16 (c) QUALIFIED APPRAISERS AND APPRAISALS.—

17 (1) IN GENERAL.—Subparagraph (E) of section
18 170(f)(11) is amended to read as follows:

19 “(E) QUALIFIED APPRAISAL AND AP-
20 PRAISER.—For purposes of this paragraph—

21 “(i) QUALIFIED APPRAISAL.—The
22 term ‘qualified appraisal’ means, with re-
23 spect to any property, an appraisal of such
24 property which—

1 “(I) is treated for purposes of
2 this paragraph as a qualified ap-
3 praisal under regulations or other
4 guidance prescribed by the Secretary,
5 and

6 “(II) is conducted by a qualified
7 appraiser in accordance with generally
8 accepted appraisal standards and any
9 regulations or other guidance pre-
10 scribed under subclause (I).

11 “(ii) **QUALIFIED APPRAISER.**—Except
12 as provided in clause (iii), the term ‘quali-
13 fied appraiser’ means an individual who—

14 “(I) has earned an appraisal des-
15 ignation from a recognized profes-
16 sional appraiser organization or has
17 otherwise met minimum education
18 and experience requirements set forth
19 in regulations prescribed by the Sec-
20 retary,

21 “(II) regularly performs apprais-
22 als for which the individual receives
23 compensation, and

24 “(III) meets such other require-
25 ments as may be prescribed by the

1 Secretary in regulations or other guid-
2 ance.

3 “(iii) SPECIFIC APPRAISALS.—An in-
4 dividual shall not be treated as a qualified
5 appraiser with respect to any specific ap-
6 praisal unless—

7 “(I) the individual demonstrates
8 verifiable education and experience in
9 valuing the type of property subject to
10 the appraisal, and

11 “(II) the individual has not been
12 prohibited from practicing before the
13 Internal Revenue Service by the Sec-
14 retary under section 330(c) of title
15 31, United States Code, at any time
16 during the 3-year period ending on
17 the date of the appraisal.”.

18 (2) REASONABLE CAUSE EXCEPTION.—Sub-
19 paragraphs (B) and (C) of section 6664(c)(3) are
20 amended to read as follows:

21 “(B) QUALIFIED APPRAISAL.—The term
22 ‘qualified appraisal’ has the meaning given such
23 term by section 170(f)(11)(E)(i).

1 “(C) QUALIFIED APPRAISER.—The term
2 ‘qualified appraiser’ has the meaning given such
3 term by section 170(f)(11)(E)(ii).”.

4 (d) DISCIPLINARY ACTIONS AGAINST APPRAISERS.—
5 Section 330(c) of title 31, United States Code, is amended
6 by striking “with respect to whom a penalty has been as-
7 sessed under section 6701(a) of the Internal Revenue
8 Code of 1986”.

9 (e) EFFECTIVE DATES.—

10 (1) MISSTATEMENT PENALTIES.—Except as
11 provided in paragraph (3), the amendments made by
12 subsection (a) shall apply to returns filed after the
13 date of the enactment of this Act.

14 (2) APPRAISER PROVISIONS.—Except as pro-
15 vided in paragraph (3), the amendments made by
16 subsections (b), (c), and (d) shall apply to appraisals
17 prepared with respect to returns or submissions filed
18 after the date of the enactment of this Act.

19 (3) SPECIAL RULE FOR CERTAIN EASE-
20 MENTS.—In the case of a contribution of a qualified
21 real property interest which is a restriction with re-
22 spect to the exterior of a building described in sec-
23 tion 170(h)(4)(C)(ii) of the Internal Revenue Code
24 of 1986, and an appraisal with respect to the con-
25 tribution, the amendments made by subsections (a)

1 and (b) shall apply to returns filed after July 25,
2 2006.