



TaxNewsFlash

United States

No. 2026-111
May 13, 2026

IRS announces new settlement offer for certain conservation easement disputes

The IRS today announced a new time-limited settlement opportunity for certain taxpayers involved in disputes over conservation or historic preservation easements.

According to today's IRS release—[IR-2026-65](#)—eligible partnerships will receive a settlement letter from the IRS and will have a 90-day period to accept the offer. The following terms during this initial period will be available:

- No charitable contribution deduction will be allowed.
- An “other deduction,” in an amount determined by the IRS, generally equal to the partnership’s approximate out-of-pocket costs (often based on cash-contributed amounts reflected on Schedule M-2), will be allowed.
- A gross valuation misstatement penalty will apply at a rate of 10%.
- Interest will accrue as required by law.
- The partnership will not be required to make payment at the time it elects into the initiative.
- Non-docketed Bipartisan Budget Act cases will be resolved by closing agreement or similar document.
- Docketed cases will be resolved by stipulated decision.
- No extension of the 90-day period will be available.

For a 45-day period immediately following the initial 90-day window, partnerships may still settle, but the gross valuation misstatement penalty will increase to 20%. After this 135-day period expires, cases will be resolved before a court decision only on the basis of hazards of litigation.

The settlement opportunity is not available for all cases, and the IRS will determine eligibility. Exclusions apply to cases that have already been tried, are on appeal, have already been settled, or are designated as test cases, among others.

kpmg.com/socialmedia



The information contained in TaxNewsFlash is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230, as the content of this document is issued for general informational purposes only, is intended to enhance the reader's knowledge on the matters addressed therein, and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm.

Direct comments, including requests for subscriptions, to [Washington National Tax](#). For more information, contact KPMG's Federal Tax Legislative and Regulatory Services Group at + 1 202.533.3712, 1801 K Street NW, Washington, DC 20006-1301.

To unsubscribe from TaxNewsFlash, reply to [Washington National Tax](#).

[Privacy](#) | [Legal](#)