Capitol Places II Owner, LLC v. Commissioner, 164 T. C. No. 1 (U. S. Tax Ct. 2025)

In a ruling impacting tax deductions for conservation easements, the U. S. Tax Court in Capitol Places II Owner, LLC v. Commissioner clarified the stringent requirements for a building to qualify as a 'certified historic structure' under I. R. C. § 170(h). The court denied a charitable contribution deduction exceeding $23 million for a facade easement, ruling that the building was neither listed in the National Register of Historic Places nor certified as historically significant to its district. This decision underscores the necessity for precise compliance with statutory definitions and certification processes in claiming such tax benefits.

Parties

Capitol Places II Owner, LLC (Petitioner), as the notice partner of Historic Preservation Fund 2014 LLC, challenged the Commissioner of Internal Revenue (Respondent) over a notice of final partnership administrative adjustment (FPAA) issued by the IRS disallowing a claimed charitable contribution deduction.

Facts

Capitol Places II Owner, LLC (CPII) donated a facade easement over the Manson Building in Columbia, South Carolina, to the Historic Columbia Foundation in December 2014. CPII claimed a charitable contribution deduction of $23,900,000 on its 2014 tax return, asserting that the building was a 'certified historic structure' under I. R. C. § 170(h)(4)(C). The Manson Building, designed by architect James Urquhart, was located in the Columbia Commercial Historic District, listed in the National Register in October 2014. However, it was not individually listed nor certified as historically significant to the district by the Secretary of the Interior.

Procedural History

The IRS examined CPII's return and issued an FPAA disallowing the deduction. CPII filed a timely petition in the U. S. Tax Court, challenging the FPAA. The Commissioner moved for partial summary judgment, arguing that the easement did not qualify as a 'qualified conservation contribution' under I. R. C. § 170(h) because the building did not meet the statutory definition of a 'certified historic structure. '

Issue(s)

Whether the Manson Building qualifies as a 'certified historic structure' under I. R. C. § 170(h)(4)(C) by being either listed in the National Register or certified by the Secretary of the Interior as historically significant to the Columbia Commercial Historic District?

Rule(s) of Law

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Under I. R. C. § 170(h)(4)(C), a ‘certified historic structure’ includes: (i) any building, structure, or land area listed in the National Register, or (ii) any building located in a registered historic district and certified by the Secretary of the Interior to the Secretary of the Treasury as being of historic significance to the district. The statute requires a written application for certification of historic significance to the district, as outlined in 36 C. F. R. § 67. 4.

Holding

The U. S. Tax Court held that the Manson Building did not qualify as a ‘certified historic structure’ under I. R. C. § 170(h)(4)(C). It was neither individually listed in the National Register nor certified by the Secretary of the Interior as historically significant to the Columbia Commercial Historic District. Consequently, the easement donation did not meet the statutory requirements for a qualified conservation contribution, and the claimed charitable contribution deduction was disallowed.

Reasoning

The court’s reasoning focused on the precise interpretation of ‘listed in the National Register’ and the necessity of certification for buildings in registered historic districts. The court rejected CPII’s argument that the building was ‘listed’ merely by being within the district boundaries, emphasizing that the statute requires individual listing. The court also dismissed the claim that the building’s designation as a ‘contributing resource’ to the district constituted the required certification of historic significance, noting the absence of a formal certification application as required by 36 C. F. R. § 67. 4. The court applied principles of statutory interpretation, including the avoidance of rendering statutory provisions superfluous and the presumption of congressional awareness of existing regulatory frameworks. Additionally, the court considered the statutory scheme’s comprehensive nature and the specific requirements for ‘certified historic structures’ over more general provisions for ‘historically important land areas. ‘

Disposition

The court granted the Commissioner’s motion for partial summary judgment, disallowing the charitable contribution deduction for the facade easement donation.

Significance/Impact

This decision reinforces the strict criteria for claiming charitable contribution deductions for conservation easements, particularly concerning historic structures. It underscores the importance of precise compliance with the statutory definitions and certification processes established by I. R. C. § 170(h) and related regulations. The ruling may influence future cases involving similar deductions, emphasizing that mere inclusion in a historic district does not suffice for tax benefits without specific

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certification. It also highlights the necessity of a clear and enforceable conservation purpose within the easement deed itself, impacting how such agreements are drafted and interpreted.

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