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More Conservation Land Deal Promoters Face Proposed Class Action

By Aysha Bagchi Jul 6, 2020

A proposed class action alleges that a network of land deal promoters and property appraisers engaged in a racketeering enterprise to promote tax-advantaged transactions that they knew were flawed.

The lawsuit is the second potential class action brought by firms Loewinsohn Flegle Deary Simon LLP and The Saylor Law Firm LLP targeting alleged promoters of syndicated conservation easements. That type of deal, which involves a tax deduction under tax code Section 170(h) available for donations of property rights to promote conservation, was flagged by the Internal Revenue Service on its most recent “Dirty Dozen” list of alleged tax scams.

Three plaintiffs, in a lawsuit filed Friday at the U.S. District Court for the Northern District of Georgia, alleged that the defendants’ conduct cost them substantial fees while exposing them to back taxes, interest, and penalties as well as accounting and legal fees that arose after the IRS disputed tax claims related to the deals. They said they believe more than 1,500 others have been similarly impacted.

The proposed class action listed 31 defendants allegedly involved in the deals, including Morris, Manning & Martin LLP, which the plaintiffs allege developed the syndicated easement strategy and was involved in each transaction. The other defendants include Ornstein-Schuler Investments LLP, which was once one of the largest firms involved in offering easements, but has said it no longer offers new easement deals.

The lawsuit alleges that the defendants violated the Racketeer Influenced and Corrupt Organizations Act by developing and promoting a syndicated conservation easement strategy that they knew was “fatally flawed.”

“Based on the IRS’s clear warnings to professional advisors and promoters, the Defendants knew the IRS would conclude that the promised tax benefits of the SCE Strategy, as structured and implemented, were improper, and yet Defendants continued to market, sell and profit from the SCE Strategy well after these warnings,” the plaintiffs said on Friday.

A separate proposed class-action filed in March by different lead plaintiffs also alleges violations of RICO, but against a largely different set of 16 defendants.

Several defendants didn’t immediately return requests for comment. Contact information couldn’t be identified for some of the defendants.

The case is Turk v. Morris, Manning & Martin LLP , N.D. Ga., No. unavailable, 7/3/20 .

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General Information

Court

District Court, Northern District of Georgia