EXHIBIT 5
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From: "Clarice Ryan" <clardon@aboutmontana.net>
To: "Co. Commission Flathead (Flathead Co.Commission)" <enelson@co.flathead.mt.us>
Sent: Friday, January 28, 2005 1:35 PM
Subject: Ending tax breaks for Easements? washingtonpost.com article

From: cdaly1@centurytel.net [mailto:cdaly1@centurytel.net]
Sent: Friday, January 28, 2005 9:25 AM
Subject: A washingtonpost.com article from: cdaly1@centurytel.net
PANEL ADVISES ENDING TAX BREAKS FOR EASEMENTS
By Joe Stephens

(1) An influential joint congressional committee recommended yesterday that lawmakers do away with income tax breaks available to homeowners who give charitable organizations easements that restrict changes to personal residences or surrounding land.

(2) Over the next decade, the reforms would save the U.S. Treasury $1 billion, according to a staff report released by the nonpartisan Joint Committee on Taxation.

3 The proposal goes well beyond previously announced plans for the reform of what are known as "historic facade easements" and "conservation easements." The recommendations are aimed at ending tax breaks originally designed to preserve historic buildings and the environment.

Today, the public benefit of such easements often is "tenuous and speculative," and donors who live on site can hamper preservation, the report said. The estimated cash values of the easements are often incorrect and can result in unwarranted tax breaks, it added.

"The proposal eliminates the need to assess valuation, conservation benefits, and private benefits with respect to a large group of transactions that often provide questionable or limited public benefits," the report said.

The recommendations come in response to a series of investigative reports published over the past two years in The Washington Post. The articles showed that the number of tax breaks associated with the easements was skyrocketing and that the deductions often appeared unwarranted. The benefits flowed primarily to the wealthy and often went to insiders at the charitable organizations charged with policing the development restrictions imposed by the easements.

After The Post published a series in December that revealed tremendous growth in tax breaks associated with easements on the facades of historic houses, several U.S. senators called for changes, and a number of organizations that promoted the transactions suspended solicitations of new donations. Previous articles led the Nature Conservancy, the world's largest environmental group, to make a number of reforms, including banning a variety of easement deals that the charity had conducted with its own trustees.

Sen. Charles E. Grassley (R-Iowa), who serves as chairman of both the joint committee and the Senate Finance Committee, praised the report's recommendations.

"It's clear we need significant reform in this area, and the Joint Tax proposals light the way for how we might be able to accomplish that," Grassley said.

The joint committee's past recommendations often have been adopted wholesale by committees in the House and Senate. For example, Congress enacted a number of reforms recommended in the wake of the Enron scandal, Grassley said.

The easement proposals are part of a broad plan outlined in the report to
4 curtail tax loopholes and save the U.S. Treasury nearly $400 billion. The
report was developed at the request of Grassley and the Finance Committee's
ranking Democrat, Max Baucus of Montana.

In the case of easements, tax deductions would be eliminated for all buildings and tracts of land that could be used as personal residences. The report said such donors generally do not plan changes to their houses or surrounding land anyway because they were attracted by the historic or scenic nature of the properties.

"The present charitable deduction regime . . . provides a windfall to those taxpayers who grant an easement," the report said. "For example, a person who purchases a residence in a historic district that has homes that were designed and constructed in a particular period and with a particular architectural style generally does not acquire the home with the intention of altering the exterior."

For historic buildings not used as residences, the report recommends slashing the amount that may be written off from 100 percent of the easement's estimated cash value to 33 percent. The tax deduction would be capped at 5 percent of the building's total market value.

For an easement on open land not used as a home site, the report also recommends cutting the amount that may be deducted from 100 percent of the easement's value to 33 percent. Such easements would qualify for tax breaks only if the donor could prove that the easement's restrictions clearly benefited a specific government conservation program.

Appraisals setting the values of easements would have to be completed by appraisers who met a series of new standards, including ethics training.

Those changes would probably end a variety of increasingly popular practices, such as using easement tax breaks to finance the development of subdivisions and golf courses, tax experts said. In those cases, the easements typically have restricted development on wetlands and other areas that were unsuitable for building anyway.

In a statement on the full report, Baucus said: "Law-abiding taxpayers don't want to feel like chumps and they shouldn't have to wonder whether their government is fairly and effectively administering the tax laws. Up to this point, the government's response to combating noncompliance has not been commensurate with the serious nature of the problem. That needs to change."