



*The Voice of the 1031 Industry*

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## **Like-Kind Exchanges – a Necessary Component of Tax Reform**

1. Like-kind exchanges under IRC Section 1031 should be retained in our tax code in present form, applicable to real estate as well as tangible and intangible personal property assets because they remove friction from business transactions and stimulate significant economic activity.
2. Like-kind exchanges remove the lock-in effect, taking the government out of the decision-making process. Section 1031 allows taxpayers to make good business decisions without being impeded by negative tax consequences. This will be particularly important for assets eligible for temporary expanded or full expensing when those provisions sunset.
3. The stream of economic activity stimulated by like-kind exchanges results in property improvements that benefit communities, increased property values, local transfer and sales tax revenues, and jobs ancillary to the exchange transactions.
4. Like-kind exchanges make the economics work for conservation conveyances of environmentally sensitive lands that benefit our environment, preserve wildlife habitats, and create recreational green spaces for all Americans. Farmers and ranchers depend upon Section 1031 to trade into more productive, less environmentally sensitive land.
5. Like-kind exchanges provide a mechanism for asset sales and replacement purchases that bridge 2 tax years. Absent §1031, taxpayers would be forced to acquire new assets prior to year-end, or be faced with recapture tax on the Year 1 sale with less equity available for the replacement purchase in Year 2. This would create a disincentive to engage in real estate and personal property transactions during the 4<sup>th</sup> quarter, resulting in tax-driven market distortions.
6. Like-kind exchanges provide strong incentive for capital formation and increased investment for landowners and businesses of all sizes.