

This is an alert to all of our clients, referral sources, professional colleagues and anyone else who has benefited from the use of a Section 1031 exchange.

There are three legislative proposals under consideration that propose to eliminate or severely restrict the application of IRC Section 1031 to defer capital gains taxes.

1. The Obama Administration released its 2016 Proposed Budget which will limit the deferral of gain for Section 1031 real estate exchanges to \$1,000,000 per taxpayer, per year. Additionally, the FY 2016 Budget would completely repeal exchanges for artwork and collectibles.
2. In the U.S. House, Ways & Means Committee Chairman Paul Ryan is expected to release a draft proposal for Tax Reform prior to the August Congressional recess. The proposal he inherited from the former Ways & Means Committee Chair included complete repeal of Section 1031.
3. Chairman Orrin Hatch of the Senate Finance Committee stated that June/July is the time to do a Tax Reform bill and his five Committee Working Groups are charged with providing their input to him by the end of April. The proposal he inherited from the former Senate Finance Committee Chair provided for either a repeal of Section 1031 or a limitation to a much narrower “similar or related in service or use” standard in place of the current “like kind”.

All of this activity takes the immediacy of this issue to a very high level.

The overarching objective for everyone that benefits from this powerful economic stimulator must be to avoid having Section 1031 included in a new tax reform bill. Insiders believe that if a repeal or limitation on Section 1031 is included in a new draft we will have a very difficult, uphill battle to preserve Section 1031.

Stakeholders need to advocate NOW in favor of retaining Section 1031. They must immediately contact their Representatives and Senators and convince them NOT to put 1031 repeal or limitations in a Tax Reform bill.

If summer comes, and Section 1031 is not in such a bill, it will be a victory for taxpayers and the economy as a whole. If a Section 1031 repeal or limitation proposal makes it into a Tax Reform bill, then taxpayers, their representatives and businesses of all kinds affected by the measure will have to expend an enormous amount of energy and money to fight the legislation for the next 3 years.

Anyone sitting on the fence and thinking that they don't have a stake in this or aren't willing to contribute to the effort should view these events in terms of efficiency of resources.

A four month sprint is cheaper and easier than a three year marathon. If stakeholders don't join the four month fight, we are guaranteed a three year fight.

Please click here to: [Send a message to Congress to retain Section 1031.](#)