



April 27, 2015

The Honorable John Cornyn  
United States Senate  
Washington, D.C. 20510-4305

Dear Senator Cornyn:

On behalf of the Texas Association of Manufacturers, I urge you to oppose the proposals to eliminate like-kind exchanges and to support retention of IRC §1031 in the law's present form. Section 1031 is a valuable tax planning tool that provides a powerful engine to the U.S. economy. Like-kind exchanges promote transactional activity that results in job creation and taxable income that fuels other businesses.

Section 1031 has remained in the tax code since 1921, notwithstanding repeated Congressional scrutiny, because it is based on sound tax policy predicated on continuity of investment by the taxpayer, and is consistent with tax reform goals of efficiency, neutrality, fairness, and simplicity. It is widely used by a broad spectrum of individual and business entity taxpayers at all levels. Definitions of "like-kind" are well understood and §1031 exchanges facilitated by Qualified Intermediaries are not administratively difficult for the IRS or taxpayers.

When the impacts of depreciation, the estate tax, and the economic stimulus from like-kind exchanges are considered, neither elimination nor restrictions to §1031 would result in additional revenue to the U.S. Treasury, an improvement to the tax code, or any benefit to the U.S. economy. Like-kind exchanges are revenue neutral over the long term because gain deferred is directly offset by a reduction in future depreciation deductions available for assets acquired through an exchange.

Like-kind exchanges contribute to the velocity of the economy by stimulating a broad spectrum of real estate transactions, and encouraging taxpayers to replace and upgrade machinery and equipment, thus stimulating purchases, sales, and manufacturing of machinery, equipment, vehicles and other assets.

The transactional activity stimulated by §1031 results in jobs in the real estate, construction, financial services, vehicle and equipment leasing, manufacturing, and other industries.

Fewer transactions ultimately result in fewer jobs in these industries and in local small businesses that generate revenue from the after tax dollars of employed workers. Since domestic real estate and assets used predominantly within the United States cannot be exchanged for foreign based real estate and assets, §1031 directly stimulates reinvestment in U.S. communities and businesses, promoting job growth within our own borders.

Thank you for your consideration. If you have any questions, or wish to discuss any of these matters, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, reading "Richard A. Bennett". The signature is written in a cursive style with a large, prominent loop at the end of the name.

Richard A. (Tony) Bennett  
President