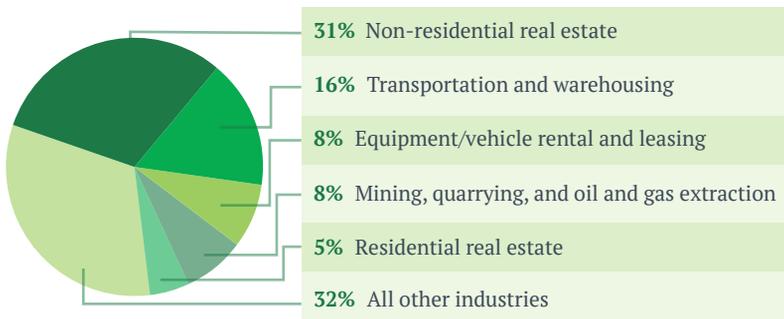


WHAT IS A LIKE-KIND EXCHANGE?

A **like-kind exchange** is an exchange of business-use or investment property for similar assets. Businesses ordinarily have to pay tax on a realized gain when selling an asset. But under the tax code since 1921, **like-kind exchanges are not subject to immediate taxation** — the tax is deferred. Common examples are exchanges of office and industrial properties, apartment buildings, farmland, automobiles, trucks, heavy equipment, and farm machinery.

These industries **have the highest use** of like-kind exchanges by fair market value:



Construction, real estate, transportation, and rental and leasing industries **would be especially hard-hit** based on estimated gross impacts (in US\$b; direct, indirect, and induced)

-\$8.7	Non-residential real estate
-\$7.7	Specialty construction trade contractors
-\$4.7	Truck transportation
-\$3.1	Heavy and civil engineering construction
-\$1.2	Air transportation
-\$0.6	Residential real estate
-\$0.6	Oil and gas extraction
-\$0.5	Comm/indust machinery equipment, rental and leasing
-\$0.3	Automotive equipment rental and leasing
-\$0.2	Pipeline transportation of natural gas

A like-kind exchange allows 100% of sale proceeds, without tax erosion, to be fully used to purchase replacement property. In this example, Investor acquired and held a \$150,000 rental house for some years, now worth \$350,000. Investor wants to trade up to a duplex. Compare a like-kind exchange v. sale, assuming a combined state / federal tax rate of at least 25%:

	Exchange	Sale
FMV rental house	\$ 350,000	\$ 350,000
Tax Basis	\$ 100,000	\$ 100,000
Gain	\$ 250,000	\$ 250,000
Estimated tax due now	\$ -0-	\$ 62,500
Available for reinvestment	\$ 350,000	\$ 287,500



Result: A \$1031 exchange allows Investor to acquire property worth at least \$62,500 more than an investor who sells and purchases with after-tax dollars.

BENEFITS OF LIKE-KIND EXCHANGE



Stimulates the Economy Based on Sound Tax Policy



Complements the Goals of Pro-Growth Tax Reform



Improves Communities & Helps Middle Class Build Wealth



Allows Small Business to Preserve Cash Flow



Enables Companies to Upgrade and Expand Without Penalty



Generates Thousands of Jobs Annually