



## **FEA Comment on President Biden's Proposal to Cap Like-Kind Exchanges To Pay For American Families Plan**

April 28, 2021 -- The Federation of Exchange Accommodators (FEA) today issued the following comment in response to President Biden's American Families Plan, which proposes capping Section 1031 like-kind exchanges at \$500,000:

"The FEA opposes the Administration's proposal to limit IRC Section 1031 like-kind exchange deferral to a maximum of \$500,000 of gain, as a means to pay for the American Families Plan. We view this proposal, which would effectively eliminate commercial real estate exchanges, as well as larger farm and ranch exchanges, as a misguided view of the actual purpose and benefits of like-kind exchanges.

"Section 1031 encourages real estate transactional activity, and in doing so, is a powerful stimulator of the U.S. economy. Section 1031 is not an unfair or abusive loophole. It is broadly used by taxpayers ranging from middle class individuals exchanging rental houses and small apartment buildings, farmers, and small to mid-sized businesses, to larger taxpayers exchanging large commercial properties in major metropolitan areas.

"Smaller exchanges create a stable inventory of decent, affordable housing for working families. Section 1031 encourages turnover and investment of fresh capital in these properties, improving neighborhoods and providing decent places to live. Studies have shown that 1031 buyers invest significantly more capital in replacement properties than do non-1031 buyers.

"Higher valued commercial real estate exchanges are an important source of jobs for contractors, skilled and unskilled blue-collar workers, lenders, real estate brokers, Qualified Intermediaries, title insurers, escrow companies, surveyors, appraisers, architects, landscapers, building material suppliers and more. The income earned generates tax revenue and consumer spending, furthering the economic impact.

"Recent research by EY has estimated that like-kind exchanges are expected to generate 568,000 jobs this year, including \$27.5 billion of labor income and a total of \$55.3 billion of value added to the US economy. The economic impact of like-kind exchanges in their present form is a far better "pay-for" than eliminating this powerful stimulus."

For more information please contact FEA Executive Director Lynn Harkin at (515) 334-1067 or [director@1031.org](mailto:director@1031.org).

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*About the FEA: The Federation of Exchange Accommodators ("FEA") is the only national trade association organized to represent professionals who facilitate like-kind exchanges under Internal Revenue Code Section 1031. Members of FEA include qualified intermediaries, their primary tax and legal counsel, as well as affiliated industries, like Delaware Statutory Trust ("DST") sponsors, banks, real estate brokers, title companies, and settlement/escrow agents. FEA members range from small, privately held businesses to publicly traded title insurance companies and banks throughout small towns and big cities across the nation.*