Federation of Exchange Accommodators Announces Revised Study Shows Repealing Like-Kind Exchange Rules Would Hurt U.S. Economy More Than Previously Estimated

A recent update to the Ernst & Young, LLP macroeconomic study, the Economic Impact of Repealing Like-Kind Exchange Rules, shows that repealing IRC Section 1031 would have a greater negative effect on parts of the U.S. economy than was previously estimated.

Ankeny, IA (PRWEB) March 09, 2016 -- The Federation of Exchange Accommodators ("FEA") announced that an update to the Ernst & Young, LLP macroeconomic study, the Economic Impact of Repealing Like-Kind Exchange Rules, was recently released.

The November 2015 revised study concludes that repealing the I.R.C. Section 1031 like-kind exchange rules would have a greater negative effect on parts of the U.S. economy than was previously estimated in the original report issued in March 2015.

The study was commissioned in response to legislative proposals to repeal Section 1031 by the Section 1031 Like-Kind Exchange Coalition, a consortium of trade associations representing diverse industries including the real estate, vehicle/equipment leasing and rental, transportation, and agriculture industries. The study documents that elimination of Section 1031 would slow economic growth, reduce GDP and hurt many U.S. small businesses.

The more recent data included in the November 2015 revision quantifies that the segments of the economy supported by the ten most affected industries, including real estate, construction, truck transportation and equipment/vehicle rental and leasing, would suffer an annual year after year decline in GDP of $27.5 billion, up from $26 billion in the original report.

Dr. Robert Carroll, Director of Quantitative Economics and Statistics at Ernst & Young, LLP explained, "This report provides useful hard data to policymakers, helping them to make more fully informed tax policy decisions. Although the revisions to the original report are slight, they are important. By pulling in more current industry data (unavailable at the time the original report was drafted), we see that the impact of section 1031 repeal on economic activity supported by the ten most affected industries is greater than initially estimated."

The study documents that without the like-kind exchange rules, many small businesses will be subject to a higher tax burden which will result in longer holding periods of assets thereby creating a "lock-in" effect. Investors will also rely more on debt financing and will see their cost of capital increase. The macroeconomic study concludes that repeal of Section 1031 would be at cross-purposes with the stated goals of tax reform. Rather than fostering economic growth and fairness, elimination of Section 1031 would adversely impact the U.S. economy by discouraging investment, causing a reduction in GDP, economic contraction, and an unfair burden upon certain industries.

"The conclusions of this study underscore how critical like-kind exchanges are to the U.S. economy," commented FEA President Margo McDonnell. "Small and mid-sized businesses, farmers, ranchers, real estate investors, farm and heavy equipment lessors, trucking companies and conservation associations are among the broad spectrum of Americans that benefit from like-kind exchanges to invest in their businesses, their communities, their local economies and in healthy green spaces for the enjoyment of the public and wildlife.”

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