

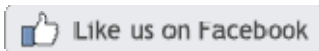


The Voice of the 1031 Industry



An Update from the FEA Government Affairs Committee

August 2017



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GOVERNMENT AFFAIRS UPDATE

Brent Abraham, Suzanne Goldstein Baker, Max Hansen, Chairs

Could an "Aggressive" Schedule Bring Tax Reform to Forefront?

Talk of a Hard Pivot Brings Tax Reform Within View

Tax reform talk is heating up after many Congressional Republicans are seeking a "hard pivot" from the focus on repealing the Affordable Care Act. Bloomberg reports that Sen. Orrin Hatch (R-UT) and Treasury Secretary Steven Mnuchin have suggested that markup could begin as early as legislators' return after Labor Day. Politico's Morning Tax reported Rep. Mark Meadows's (R-NC) deadline of Thanksgiving for the success of tax reform legislation. Marc Short, the top liaison to Capitol Hill laid out an "aggressive" timeframe on tax reform, passing legislation through the House and Senate by November.

Uncertainty on Timing Amid a Legislative Backlog

Lots of uncertainty still surrounds the timing and direction of tax reform. Mick Mulvaney, the White House budget director, predicted on Fox News that tax reform may be easier than health care because Republicans are more united on tax reform. But, the Washington Post points out that the House and Senate are only in session concurrently for 12 days during September, and there are lots of legislative items to cover. Congress must debate an increase in the debt ceiling

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and agree to a FY2018 budget resolution before tax reform talks can begin. In addition, the August recess has begun and legislators are returning to their home districts and states until September 5th.

Republican Leaders Announce Broad-Stroke Tax Reform Principles

The Trump Administration and the "Big Six" group released joint high-level outline statements on tax reform on July 27, 2017. The statements are high-level and contain few details, to the frustration of many legislators, reports Bloomberg Government. The Big Six, made up of Speaker Paul Ryan (R-WI), House Ways and Means Chairman Kevin Brady (R-TX), White House economic advisor Gary Cohn, Treasury Secretary Steven Mnuchin, Senate Majority Leader Mitch McConnell, and Senate Finance Chair Orrin Hatch, have met weekly for months to discuss tax reform. Republican leaders are highly motivated to produce legislation and a political win.

Will 1031 Be a Revenue Raiser for the Blueprint, Immediate Expensing or Lower Rates?

The threat to Section 1031 is still very present should legislators look to identify "pay fors" or revenue raisers to pay for tax cuts. Budget rules specify that temporary changes to the tax code can be passed without revenue raisers, but that permanent tax cuts must not increase the deficit.

Full expensing, a fundamental element of the House Republican Blueprint for tax reform, is also a debate. The White House has cooled in its support for full expensing, says Bloomberg Government. Others are also taking sides. The conservative Heritage Foundation released a report last week in favor of full expensing, and Americans for Prosperity and several House Freedom Caucus members have come out against it, says Politico's Morning Tax. In combination with lower rates, some feel that full expensing would eliminate the widespread need for Section 1031.

Whether tax reform comes within the next three months, or even the next six, it is now imperative that we continue to educate lawmakers and the public on the benefits of like-kind exchanges to small businesses and local economies.

FEA GAC Activity

FEA drafted statements to both the House Ways and Means Committee and to the Senate Finance Committee on June 1, 2017. The statements explained our position that like-kind exchanges generate jobs and economic growth. The statements reinforce the message we deliver during our fly-in schedule. Reminding members of Congress each month that their constituents use like-kind exchanges is critical. Read the FEA statements to House Ways and Means and Senate Finance committees.



Several real estate industry associations signed letters to both the Senate Finance Committee and to the House Ways and Means Committee. FEA signed both letters, also sent June 1, 2017.

Monthly GAC fly-ins are having an impact with like-kind exchange allies in Congress. Legislators have asked for more detail on the workings of Section 1031 and for examples. Importantly, GAC participants have come back with information and insight that has helped to make our arguments more effective. The next GAC fly-in is scheduled in September, after an August break. Many members of Congress believe that immediate expensing, combined with lower rates, will eliminate the need for like-kind exchanges.

During the July fly-in, FEA met with several high-level members of the U.S. Treasury Department, including Thomas West, Tax Legislative Counsel and Acting Assistant Secretary, Office of Tax Policy, US Department of the Treasury. FEA is grateful that Treasury attendees met with GAC members, and for their sincere interest. A second meeting is scheduled later this month.

FEA has extended the contract with kglobal, the PR advocacy firm that has helped FEA place many op-eds and garner positive interest from reporters. The contract will resume in September and continue for three months, ending in November.

So, What Can an FEA Member Do?

Your financial participation and outreach to clients and legislators are essential to our important work. We cannot understate how crucial your financial contributions to the FEA have been to our fight for a positive resolution.

Your contributions to the [FEA Tax Reform fund](#) help support the industry effort. Fulfill your obligation to share the cost of the total effort. Our success in maintaining our businesses and protecting the financial well-being of our clients is dependent on full monetary support from ALL members.

If your company would like to make a contribution--of any amount--to the FEA, please consider a contribution. Anyone can contribute to FEA. Contact Lynn Harkin for information at director@1031.org or (515) 244-6515 for information.

We need your involvement at the local level, too. Consider taking any of these steps:

- Take advantage of town halls with your representatives and senators during the August recess;
- Send action alerts to your database;
- Engage local associations and boards both in writing and by speaking. Ask them to become active by



reaching out to their lobbyists, publishing articles in newsletters and spreading the word to their members. Assist with these efforts;

- Send direct mailings to your clients;
- Reach out to independent local academics and opinion leaders. Ask them to write op-eds in favor of retention of 1031 in its current form. Assist with their efforts;
- Write articles for local publications (real estate, business, accounting, legal, farm, manufacturing, art, etc.);
- Reach out to local press contacts; explain how 1031 is important to your community and ask that they publish a story incorporating points from your interview;
- Get in touch with large local and regional Congressional donors. Ask them to engage with Members they have supported;
- Ask for in-district meetings with members of Congress.

About the FEA Government Affairs Committee

The FEA Government Affairs Committee monitors legislative and regulatory activity, regularly meets with and provides commentary to the IRS, House Ways and Means Committee, Senate Finance Committee, and state and federal legislators. It proactively responds to legislative and regulatory initiatives at both the state and federal levels and advocates on behalf of the FEA and consumers. The GAC has provided input to state legislatures and regulatory agencies that shaped their approach to the licensing and regulation of exchange professionals and influenced state taxation and procedures for exchange transactions. GAC activities are led by co-chairs Brent Abraham, Suzanne Goldstein Baker, and Max Hansen, working closely with our lobbying partners at Williams & Jensen.

The GAC is grateful for the vigilance of our members. If you become aware of any 1031 legislative or regulatory activity in your state, please contact one of the GAC co-chairs.

The commitment and perseverance of FEA members, the Government Affairs Committee, and our volunteer leaders have made the FEA The Voice of the 1031 Industry.

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