



The Voice of the 1031 Industry



An Update from the FEA Government Affairs Committee

May 2016

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GOVERNMENT AFFAIRS UPDATE

Brent Abraham, Suzanne Goldstein Baker, Max Hansen, Chairs

FEA Analyzing Proposed Asset Pooling / Depreciation Changes

FEA and our 1031 Coalition partners are working with industry experts to determine the effect and provide comments on a new proposal addressing depreciation rules for personal property. Like-kind exchanges are preserved under this proposal, which replaces more than 100 depreciation schedules with a six-pool system. Questions remain about the impact on taxpayers and ways to maintain and enforce the like-kind exchange standard.

Senate Finance Committee Ranking Member Ron Wyden (D-Ore.) released *The Cost Recovery Reform and Simplification Act of 2016 Discussion Draft* last week. The proposal is intended to simplify depreciation rules, reduce the cost of tax compliance, and remove barriers to reinvestment on a revenue-neutral basis. The legislation maintains accelerated depreciation and proposes depreciating assets pooled according to remaining tax value rather than as individual assets, as under the current system.

Compared to former Senate Finance Chairman Senator Baucus' 2014 tax bill, which also proposed pooled assets, this proposal is much more favorable toward Section 1031. With some modifications, like-kind exchanges are preserved under this draft proposal. However, several uncertainties remain about the practical application of the proposed system and whether the changes are truly a simplification to current practices. The FEA will examine whether the discussion draft maintains the integrity

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Thank You to Our 1031 PAC Donors

Thank you PAC donors! The FEA 1031 PAC is a vital part of our strategy to influence Congress to keep 1031 exchanges.

For information on how to make a personal PAC contribution, please contact Naomi Weitzel at naomi.weitzel@cdec1031.com

Save the Date!

**FEA 2016 Annual Conference
September 14 - 16, 2016
Las Vegas, Nevada**

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of Section 1031 and will validate that the role of the QI remains integral in the process.

FEA and our coalition partners have committed to providing comments on this discussion draft within ninety days.

JCT Revenue Score of FY 2017 Budget Proposal Likely to Increase

In an April 27th *Tax Notes* article, Joint Committee on Taxation Chief of Staff Thomas Barthold explained that the estimated revenue generated (or "Revenue Score") from the Obama Administration's FY 2017 budget proposal will likely increase due to an error in the JCT calculation concerning like-kind exchanges. The rescoring effort is related to new language that the Obama Administration included in February extending the limitation on like-kind exchange to personal property exchanges. The change in language included in the FY 2017 Budget, consisting of only a few words, was overlooked by the JCT. Before the announcement, the JCT revenue score of the budget proposal had decreased over the nearly-identical FY 2016 proposal, even with the addition of personal property exchanges.

The Administration's FY 2017 budget proposal limits the deferral of gain on both real property and personal property to \$1 million per taxpayer annually. Art exchanges are excluded from non-recognition treatment.

GAC Activity

FEA members and GAC leaders are in Washington, D.C. for meetings with legislators this week. Increasingly, members of Congress and staff mention hearing from multiple groups about the importance of like-kind exchanges; this is very good for our industry. Suzanne Goldstein Baker, John Wunderlich, and Max Hansen presented to the conservative group Americans for Tax Reform on May 4th.

In the last month, the FEA 1031PAC has allowed FEA members to support and discuss the like-kind exchange industry with our allies in Congress. FEA members have attended events supporting Congressman Kevin Brady (R-TX), Senator Chuck Grassley (R-IA), Congressman George Holding (R-NC) and Congresswoman Linda Sánchez (D-CA).

Take Action

The FEA and our allies have made great progress with legislators. However, misunderstandings about the provision still present obstacles. The Wyden pooling proposal, while preserving Section 1031, calls 1031 exchange rules "extremely complex." In the *Tax Notes* article about the JCT rescore of the Administration's like-kind exchange proposal, a proponent of tax reform made critical remarks about industry studies, mentioning the FEA- and Coalition-funded EY study in particular. Even in a thoughtful article that was intended to cover issues fairly, there



is opportunity for bad press and that is why we must continue the education and awareness campaign.

Contributions to the FEA 1031PAC are an excellent way to help the FEA to fight for Section 1031, our clients, and the like-kind exchange industry.

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(Be sure to login first to click on a company name to see more details about that member company.)

[Visit the Affiliates First page on www.1031.org](http://www.1031.org)

Affiliate Member Spotlight



1031 Investment Services LLC

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1031 Investment Services is one of the nation's leading advisory groups specializing in Delaware Statutory Trust, Tenant in Common, and Triple Net Lease properties. Since 2004, the company and its related entities have assisted clients in the purchase of \$300 million of DST, TIC, and Triple Net Lease properties in 31 states. For the 1031 Investment Services, they use expertise, focus, a personal approach, customized investment and exchange strategy, thorough property, market and sponsor review, process management through closing, ongoing service and monitoring of client properties, proprietary market research and a deferred commission option.

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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.

Federation of Exchange Accommodators

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