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Will 1031 Exchanges survive the new Congress? Elimination could be part of tax reform proposal

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Section 1031 of the tax code allows real estate investors to sell a property, defer the tax, and reinvest the proceeds into replacement real estate. Tax deferred exchanges are a popular investment tool which greatly enhances purchasing power and encourages taxpayers to continually invest in real estate. In fact, nationally, 1031 Exchanges touch 45% of all investment real estate transactions.

Last year there were three tax reform proposals introduced in Congress that could have repealed or severely limited Section 1031 of the tax code. The new Congress will begin writing a new tax reform proposal in February. Eliminating Section 1031 most likely will be part of the new tax reform proposal. While tax reform is a worthy goal, sacrificing Section 1031 is the wrong way to do it.

Section 1031 has been an important part of the tax code since 1921. Section 1031 is not a tax deduction. It is a tax deferral, therefore it's revenue neutral. No new revenue will be raised. Proponents of eliminating tax deferred exchanges are wrong in assuming that it would raise revenue if 1031 Exchanges were repealed because eventually the deferred taxes do get paid when the taxpayer decides to no longer invest in real estate.

Any repeal or limitation of 1031 Exchanges will have a cumulative negative effect on real estate and investments. If the 1031 tax deferral is eliminated, large and small investors would then pay the Federal, State and Health Care taxes on any sale. This could result in a 40% effective tax rate on many commercial and residential real estate investment transactions. This means many investors will not sell their investments and will simply hold on to their properties. The domino effect could push real estate into a downturn, affecting related industries and the overall economy.

Take action! Congress needs to hear from you now. If you are in favor 1031 tax deferred exchanges, please go to the online link below. The link allows you to send a letter to both of your Senators and your U.S. Representative telling them that Section 1031 should not be included in any tax reform. It takes less than 30 seconds:

- * Go to www.ipx1031.com/action;
- * Enter your zip code and click SUBMIT;
- * A letter will pop up. You can modify it or keep as is. Type in your name, address and email and click SUBMIT;
- * Click SEND LETTER and three letters will go out automatically; and
- * If you wish, you can also sign up for IPX1031updates on Tax Reform

If you support efforts to keep Section 1031, please help spread the word to your employees, business associates, family and friends to ask for their support.

IPX1031, along with a coalition of associations, will continue to participate in the advocacy campaign to make Congress aware of how Section 1031 is used by a broad spectrum of taxpayers

to stimulate transactional activity that creates jobs and fortifies the U.S. economy.

IPX1031 is the leading Exchange accommodator in the 1031 Exchange industry. They have a web site dedicated to tax reform and provide a means for you to say NO to 1031 tax reform.

For more information on tax reform, visit www.ipx1031.com/action.

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