



CELEBRATING  
56 YEARS

# nerej

## **The One Big Beautiful Bill Act may lead to many big beautiful 1031 exchanges - by Brendan Greene and Mark McCue**

July 25, 2025 - Spotlights



Brendan Greene

Mark McCue

Internal Revenue Code (IRC) Section 1031 allows a property owner, who holds property for “the productive use in a trade or business or for investment” to defer paying capital gains taxes if the property owner sells such property, identifies “like kind” property within forty-five days of the sale, and acquires “like kind” property within one hundred eighty days of the sale.

The overall real estate market and the utilization of 1031 real estate exchanges in 2025 so far has been steady. The residential real estate market has softened a little in certain parts of Massachusetts in 2025 with more inventory and with residential homes staying on the market for more days. Residential real estate prices have remained at historic highs. Certain sectors of the commercial real estate market have started to stabilize as more companies and the federal and state governments continue to push to decrease or end remote work. These trends should continue and help stabilize the commercial office market. Interest rates have remained high relative to the recent past but there may be some relief on the way as the Federal Reserve has indicated that if inflation remains under control, they will be willing to cut rates in the second half of the year. However, the recent June inflation news has seen inflation start to creep back up.

The tariffs the Trump administration have enacted, proposed, negotiated, delayed and retreated from has caused uncertainty in the real estate market. As such, the tariffs themselves have not yet had a large impact on the real estate industry or on 1031 exchanges. However, “broad and poorly designed tariffs could increase housing costs for millions of renters and home buyers”, said CEO

Jeffrey DeBoer, president and CEO Real Estate Roundtable. Imported materials like lumber, glass, steel and concrete increase construction costs which increase the values of properties in general as less new construction is happening. In addition, the most recent data shows that in June inflation rates have risen. If the tariffs continue to cause inflation, then it will be less likely that the Federal Reserve will cut interest rates. If the tariffs continue to cause inflation, then there is less a chance that the mortgage rates will come down. As mentioned in our 2025 Forecast article many investors with low rates on their mortgages are reluctant to sell investment properties and buy into another investment property and take on a higher interest rate.

Now, with Congress passing the “One Big Beautiful Bill Act” the Trump administration may be pumping new life into the real estate industry and 1031 exchanges. First, the bill has left IRC Section 1031 intact. There have been efforts over the past twenty plus years of limiting the benefits of 1031 exchanges or even eliminating 1031 exchanges altogether. Now, long-term investors/taxpayers have confidence in making long-term decisions regarding 1031 exchanges. Some of the most notable benefits for real estate investors in the bill are (i) the 100% bonus depreciation in the first year; (ii) Qualified Business Income deductions are now permanent which is a big win for real estate partnerships, however, they are subject to income thresholds and (iii) increase in state and local tax (SALT) benefits from \$10,000.00 to \$40,000.00 helps businesses and property owners by reducing federal tax burden, however, the SALT deduction is subject to phaseouts based on income and tax filing status. By deducting more state and local taxes, this could reduce investors’ federal tax bills.

100% bonus depreciation allows real estate investors to immediately deduct the full cost of eligible assets in the year they are placed in service. So investors can take a substantial deduction upfront, which reduces their tax liability and allows for increased cash flow. This extra cash in turn can be used for other investments, reducing debt or expanding one’s real estate portfolio. It is important to note that property must be used for business or investment purposes and have a useful life of 20 years or less to qualify. Examples of such assets include personal property inside rental property such as appliances, lighting, carpeting and land improvements like paving, fences or landscaping.

Investors will continue to use 1031 exchanges to leverage their wealth. There has been a steady increase the last ten or so years in 1031 exchanges with the peak coming in 2021 and 2022. Part of the steady flow has been due to an increase in investor knowledge of 1031 exchanges and the various kinds of exchanges like reverse and improvement/construction exchanges. Also, the ability to invest in Delaware Statutory Trusts (DST’s) as replacement property has caused DST’s to become more mainstream.

In summary, tariffs may be the fly in the ointment for what appears to be very favorable legislation for real estate investors and 1031 exchanges. We will have to wait and see how it plays out.

Greater Boston Exchange Company, LLC (a subsidiary of McCue, Lee & Greene, LLP) is owned and operated by attorneys Brendan Greene and Mark McCue with combined experiences of over 50 years in real estate law and tax planning. We act as both Qualified Intermediaries for exchanges and as consultants to investors, lenders, borrowers, attorneys and accountants to facilitate

successful exchanges.

Brendan Greene is an owner/operator/attorney and Mark McCue is an owner/operator/attorney at Greater Boston Exchange Company, LLC (a subsidiary of McCue, Lee & Greene, LLP), Boston, Mass.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540