

**Congress of the United States**  
**Washington, DC 20515**

June 1, 2016

The Honorable Kevin Brady, Chairman  
Committee on Ways & Means  
1102 Longworth House Office Building  
Washington, D.C. 20515

Dear Chairman Brady:

We write to respectfully urge you to protect U.S. farmers and ranchers by ensuring the like-kind exchange provision under IRC Section 1031 is not repealed as the Ways and Means Committee continues working towards a comprehensive tax reform package.

The like-kind exchange provision under IRC Section 1031 is integral to the operations and ongoing vitality of the U.S. agricultural industry. The provision serves as an important tool for providing flexibility and increased economic efficiencies for the agricultural community. Section 1031 permits a taxpayer to exchange business-use or investment assets for other like-kind business-use or investment assets, without recognizing taxable gain on the sale of the old assets. These taxes, that would otherwise be due if the transaction was structured as a sale, are deferred. The repeal of this fundamental provision would have a monumental negative impact on the industry as a whole.

The provision is overwhelmingly utilized by the agriculture industry, land owners, and operators for a number of reasons including the combining of properties, the acquisition of higher grade land, or the exchange into land that is closer to their business operations. Additionally, conservation easement grants structured as like-kind exchanges enable landowners to acquire replacement farm or ranchland in less environmentally sensitive locations. Under Section 1031, agricultural equipment can be exchanged for new assets that are more technologically advanced or better suited to a farmer's operation or livestock production.

Furthermore, retiring farmers are able to use Section 1031 as a tool to sell their largest assets, such as their farm, and reinvest the equity elsewhere, without diminishing the value of their life savings. The provision also serves as a conduit for new and existing farmers and ranchers to acquire land from those who inherit farms.


Recent economic studies found that repeal of Section 1031 would increase the cost of capital in the economy, even when combined with lower tax rates. The higher cost of capital can discourage business investment and adversely affect the overall economy. Given the extraordinary connection between the value of farmland and farmers' economic well-being, any policy change that will hurt farmers and the agricultural industry should be avoided.

Thank you for your time and consideration of this important matter.

Sincerely,



Bob Gibbs  
Member of Congress



David Rouzer  
Member of Congress

Steve King

Steve King  
Member of Congress

Ryan Zinke

Ryan Zinke  
Member of Congress

Scott DesJarlais

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