



February 22nd, 2022

Dear Senator:

I urge you to support and co-sponsor the “1031 Exchange Improvement Act,” legislation introduced by Senator Mike Lee (R-Utah.), along with Sens. Mike Braun (R-Ind.), Ted Cruz (R-Texas), and Roger Marshall (R-Kan.), to simplify Section 1031 “like-kind exchanges.” This bill would repeal the requirement that a taxpayer utilizing a 1031 exchange must identify a second property within 45 days. All Senators should support this legislation.

1031s promote investment in residential and non-residential property by allowing taxpayers to defer taxes on their capital gains if they reinvest these earnings in a new property. The provision allows investors to defer paying taxes on the sale of real property if they reinvest the earnings into a substantially similar asset. This can be done, again and again, provided the transaction involves a similar type of property.

In order to utilize a 1031, taxpayers must identify the second property they wish to purchase within 45 days. In order to qualify for the tax deferral. In addition to this 45-day identification period, a taxpayer must finalize purchase of the second property within 180 days.

Sen. Lee’s legislation would repeal the 45-day requirement in order to simplify tax compliance while retain the 180-day requirement in order to prevent against tax evasion. In many cases, this second, shorter deadline could place an unnecessary burden on taxpayers by forcing them to make business decisions that are not always in their best interest.

1031s help grow the economy. According to a 2021 [study](#) conducted by EY, 1031s contribute \$55.3 billion in GDP in 2021 and support 568,000 jobs and \$27.5 billion of labor income. By providing additional liquidity, 1031s allow investors to avoid taking on debt and becoming over-leveraged. This also helps with the financing of new real estate projects, promoting a competitive and affordable housing market.

Because regulators recognized this unnecessary burden during the height of the pandemic, the Internal Revenue Service [extended](#) the deadline for this 45-day identification period until July 15th, 2020 for those whose deadlines had expired as early as April 1st, 2020.

This was one of [many](#) regulations that was waived during the pandemic. Many of these rules and regulations were not necessary in the first place, given that they imposed unnecessary burdens on Americans. If the government was able to suspend these rules when Americans were most vulnerable, they were never necessary in the first place.

I urge you to support Senator Lee’s “1031 Exchange Improvement Act.” The 45-day period to identify 1031 exchange properties imposes a strict deadline on property buyers, forcing them to make rushed decisions. Repealing this deadline, while retaining the 180-day deadline will help streamline 1031 compliance so that the provision can continue to be used by taxpayers to invest and grow the economy.

Onward,

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