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NATURAL RESOURCES

COMMITTEE ON
EDUCATION AND LABOR

CONGRESS OF THE UNITED STATES HOUSE OF REPRESENTATIVES

April 6th, 2020

The Honorable Steven T. Mnuchin
Secretary of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, DC 20220

Dear Secretary Mnuchin:

The difficulties facing the American people and the economy due to the present coronavirus crisis are immense and unprecedented. I recognize the challenges the Treasury Department and Internal Revenue Service are dealing with and commend both for the wise decisions to delay the tax filing and tax payment dates for 90 days.

I am writing about the need for another such delay – in connection with the deadlines for tax deferral treatment for real estate like-kind exchanges under section 1031 of the Internal Revenue Code. As you may know, both residential and commercial property transactions in Idaho were at a record high before the outbreak of Covid-19.

Taxpayers throughout Idaho who entered into or are contemplating these exchanges have contacted me with serious concerns about not being able to comply with the statutory 45-day or 180-day requirements for identifying and closing on a replacement property. Without relief in the form of a delay in meeting the requirements, these Americans could find themselves losing out on the tax deferral they planned on when executing the transaction, and this could lead to serious financial hardship in many cases, not to mention an adverse impact on the economy.

Like-kind exchanges grow the economy by encouraging investors of all sizes to remain invested in real estate while allowing them to balance their assets and shift resources to more productive properties, change locations, or diversify or consolidate holdings. In a great many cases, new jobs are created as a result of an exchange. In addition, studies show that in 88 percent of the cases, investors dispose of properties acquired in a like-kind exchange through a taxable sale and that taxes paid in such cases are on average 19 percent higher than taxes paid when an ordinary sale is followed by an ordinary sale.

It is our understanding that regulatory relief as to the deadlines of section 1031 like-kind exchanges has been granted in cases of presidentially declared disasters. The present situation certainly deserves the same kind of taxpayer relief.

Thank you in advance for your consideration of this important matter.

Sincerely,

A handwritten signature in blue ink that reads "Russ Fulcher".

Russ Fulcher
Member of Congress

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