On Wednesday, September 27, 2017, the Trump Administration, along with the Republican leadership of the House Ways and Means Committee and the Senate Finance Committee released a nine-page tax reform plan—a “Unified Framework for Fixing Our Broken Tax Code”—a.k.a “The Framework” outlining four overarching principles and significant proposed revisions to the current U.S. tax code. This plan will serve as a framework for Congress in drafting comprehensive tax reform legislation.

The Investment Program Association (IPA) supports broad-based tax reform consistent with the goals outlined in The Framework. IPA advocates, however, for improving our tax code in a manner that encourages growth and opportunity in the real estate and Portfolio Diversifying Investments Industry (PDI), and does not disproportionately impact businesses and investors in this sector.

Congress has historically recognized that the real estate industry operates under a unique set of principles that supports specific tax treatment for our industry. This tax treatment allows for the efficient aggregation and management of assets and benefits investors seeking portfolio diversification. Failure to maintain certain essential tax provisions could result in the same harm inflicted on the real estate industry following tax reform in 1986.

**Proposed Tax Reforms Impacting Real Estate and PDIs:**

**Expensing:** “The Framework allows businesses to immediately write off (or “expense”) the cost of new investments in depreciable assets other than structures made after September 27, 2017, for at least five years.”

IPA urges that Congress **exclude** real estate from the immediate expensing provision and **preserve** the Section 1031 like-kind exchange program.

**Interest Expense:** “The deduction for net interest expense incurred by C corporations will be partially limited. The committees will consider the appropriate treatment of interest paid by non-corporate taxpayers.”

IPA urges that Congress **provide an industry-based exclusion from the net interest expense limitation proposed by The Framework—for real estate partnerships and LLCs, real estate investment trusts (REITs) and regulated investment companies (RICs).**

**Section 1031 Like-Kind Exchanges:** The tax plan is silent regarding Like-Kind Exchanges, but references repealing numerous other exemptions, deductions and credits.

IPA urges that Congress **retain** Section 1031 of the Code to preserve the ability to continue an investment in like-kind property, especially in light of the potential carve-out of “structures” from the framework’s immediate expensing proposal.

Section 1031 like-kind exchanges encourage investment and reinvestment in U.S. assets and make it easier for taxpayers to relocate or upgrade into assets that better meet their business needs, ensuring both the best use of real estate. Eliminating 1031 like-kind exchanges or restricting their use would have a contraction effect on our economy by increasing the cost of capital. Without them, businesses and entrepreneurs would have less incentive and ability to make real estate and capital equipment investments.