

Real1031

How 1031 Exchanges Stimulate the Economy

1. 1031 Exchanges Come in All Sizes

1031 Exchanges are one of the few incentives available to and used by taxpayers of all sizes. Individuals, corporations, LLCs, etc can utilize 1031 exchanges. In fact, 60% of all exchanges involve properties less than \$1 million.

2. Efficient Use of Cash Flow

1031 Exchanges allow taxpayers to change geographic locations, diversify, or consolidate holdings, or shift to more productive like-kind property without paying unnecessary taxes, in turn stimulating a variety of economic sectors.

3. Promotes Domestic Investments

1031 Exchanges require owners of domestic real estate to reinvest in US real estate, keeping the money within the US economy.

4. Encourages the Free Flow of Real Estate Transactions

Postponing gain recognition on the sale of real estate through a 1031 Exchange encourages transactions that would otherwise be delayed or abandoned.

5. Provides Continuity of Income Producing Investments

1031 Exchanges allow farmers and ranchers, who typically sell property at retirement, to reinvest 100% of their proceeds into a passive-income property.

6. Taxes Will Be Paid - One Way or the Other

1031 Exchanges allow for tax deferral, not tax elimination. The taxes will eventually be paid either upon the sale of replacement property without an 1031 exchange or through increased income tax due to foregone depreciation, or by inclusion in a decedent's taxable estate.

7. 1031 Exchanges Create More Jobs

1031 Exchanges promote additional real estate transactions. Without 1031 Exchanges there would be less need for various jobs extending to real estate, title insurance, construction, mortgage, and other related industries.

8. Preserves Cash Flow

1031 Exchanges preserves cash flow and eliminates liquidation of other assets or increased needs for debt financing.

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Source: Federation of Exchange Accommodators (FEA) Impact of §1031 on the Economy 5-3-2018

