



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

OFFICE OF
CHIEF COUNSEL

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The Honorable Bob Goodlatte
Member, U.S. House of Representatives
10 Franklin Road, SE
Suite 540
Roanoke, VA 24011-2121

Attention: Mr. Pete Larkin

Dear Congressman Goodlatte:

I am responding to your letter dated June 15, 2005, on like kind exchanges under section 1031 of the Internal Revenue Code (the Code). Your constituent, _____, inquired about the status of section 1031 due to the increase in the number of like-kind exchange transactions.

Under section 1031 of the Code, a taxpayer defers recognition of gain or loss on the exchange of property held for productive use in a trade or business or for investment if the property is exchanged solely for property of a like kind that is held for productive use in a trade or business or for investment.

The ability to defer recognition of gain or loss under a like-kind exchange was enacted as part of the Revenue Act of 1921. Although the Congress has made several changes over the years to section 1031 and its statutory predecessor, the general underlying principle has remained constant despite the increase in the number of like-kind exchange transactions.

I appreciate your comments and hope this information is helpful. If you have further questions, please call me or _____, Identification Number _____, at _____.

Sincerely,

Michael J. Montemurro
Acting Branch Chief
Office of Associate Chief Counsel
(Income Tax & Accounting)