

November 11, 2017

The Honorable Paul Ryan  
Speaker  
U.S. House of Representatives  
H-232 The Capitol  
Washington, DC 20515

The Honorable Nancy Pelosi  
Minority Leader  
U.S. House of Representatives  
H-204 The Capitol  
Washington, DC 20515

The Honorable Kevin Brady  
Chairman  
House Committee on Ways and Means  
1102 Longworth House Office Building  
Washington, DC 20515

The Honorable Richard Neal  
Ranking Member  
House Committee on Ways and Means  
1139E Longworth House Office Building  
Washington, DC 20515

Dear Speaker Ryan, Minority Leader Pelosi, Chairman Brady, and Ranking Member Neal,

As users of like-kind exchanges for personal property, we are writing in regard to H.R. 1, Section 3303, like-kind exchanges (“LKEs”). As written, Section 3303 limits the use of LKEs to real property.

We fully support the goals of tax reform to grow the economy, create jobs and make U.S. businesses more competitive. We believe that the ability to use LKEs for personal property is consistent with these goals, and our strong preference is that the repeal of LKEs for personal property under Section 3303 be removed from H.R. 1.

While full expensing for five years would mitigate the impact of repeal of LKEs for personal property, the temporary nature of full expensing is a serious concern. Personal property users of LKEs would be giving up a benefit that is permanently in the tax code in exchange for one that is temporarily in the code. Comments from Members have suggested there is a desire that full expensing would become permanent policy. Even if full expensing were extended, such extensions historically are postponed until the end of the next year after they expire. Business owners need certainty to plan, and the temporary nature of full expensing would impact our decisions to make purchases and investments in our businesses. This would have a negative ripple effect with OEMs, suppliers and throughout the economy as a whole, resulting in a drag on the economy that is contrary to the goals of tax reform.

If LKEs for personal property are not reinstated as part of H.R. 1, we suggest the following that would automatically reinstate LKEs if full expensing expires:

- Retain LKEs for personal property in Section 1031, but include a provision in Section 3101 (full expensing) prohibiting the use of LKEs if an item qualifies for full expensing. If full expensing expires, LKEs would be in place for immediate use.
- Revise Section 3303 to provide for reinstatement of LKEs for personal property immediately upon expiration of Section 3101.

Thank you for your consideration of this matter. Please contact Mary Baker at (202) 778-9223 or mary.baker@klgates.com with any questions or to discuss further.

Sincerely,

Avis Budget Group, Inc.  
American Car Rental Association  
American Truck Dealers  
Associated Equipment Distributors  
C.R. England  
Equipment Leasing and Finance Association  
National Business Aviation Association  
National Stone, Sand and Gravel Association  
Precious Metals Association of North America  
The Hertz Corporation