

From: Helen Devlin
Sent: Tuesday, September 06, 2016 12:23 PM
To: GA Lobbyists; Evan Liddiard
Cc: April Brown
Subject: FW: Request from Puerto Rico Association of REALTORS

FYI, here's the request we submitted to the Congressional Task Force on behalf of the Puerto Rico Assn. Members of the Task Force are:

Chair- Orrin Hatch (R-Utah)
Marco Rubio (R-Fla.)
Bill Nelson (D-Fla.)
Robert Menendez (D-N.J.)
Sean Duffy (R-Wis.)
Tom MacArthur (R-N.J.)
Nydia Velázquez (D-N.Y.)
Pedro Pierluisi (D-Puerto Rico).

From: Helen Devlin
Sent: Friday, September 02, 2016 1:16 PM
To: 'prtaskforce@mail.house.gov'
Subject: Request from Puerto Rico Association of REALTORS

Below, please see a request of the Task Force by the Puerto Rico Association of REALTORS®. President Vanessa Rivera requests that the Task Force members consider supporting a change in the 1031 Like Kind Exchange provision to allow real property located in Puerto Rico to be considered "like kind" with real property in the 50 States and the District of Columbia. Interestingly, IRS considers real property located in the U.S. Virgin Islands to be like kind, but not real property in Puerto Rico.

The National Association of REALTORS® also endorses this change.

Thank you in advance for your consideration.

Helen M. Devlin
Senior Legislative Representative
National Association REALTORS®
(202) 383-7559 office
(202) 841-3572 cell

Dear Members of The Congressional Task Force on Economic Growth in Puerto Rico:

The members of the Puerto Rico Association of REALTORS® (PRAR) frequently work with many buyers from the 50 States. We find there are many people that are looking to invest in our island to develop business opportunities. The current

economic condition on the island is severe, and especially in the real estate market. If there is no economic development engine, there are no jobs, and consequently the local people cannot qualify to buy a home or develop a small business on the island.

The facts are that foreclosures on properties have continued since the economic bubble burst in 2006; the projection for this year is 4,832^[1] new residential units to be foreclosed and many business bankruptcies amidst a high level of unoccupied commercial properties. These events have forced many of our U.S. citizens to choose the difficult option of moving from the island to one of the U.S. States. The population of Puerto Rico since 2006 (3.81 million) continues decreasing to a level of 3.59 million today.^[2] As part of this situation, PRAR and the National Association of REALTORS® are looking for viable alternatives to encourage economic development of Puerto Rico.

One feasible alternative, which we respectfully present for your consideration, is to amend Section 1031 of the Internal Revenue Code. Section 1031(h)(1), added to the IRC in 1989, states that “Real property located in the United States and real property located outside the United States are not property of a like kind.” The issue is that when the term “United States” is used in a geographical sense, it is limited to the States individually and the District of Columbia. Section 7701(a)(9) of the Internal Revenue Code defines the term “United States” as only the States and the District of Columbia. However, the Internal Revenue Service (IRS) has ruled that the United States also includes the U.S. Virgin Islands for purposes of Section 1031 eligibility. At this time Puerto Rico, a Commonwealth of the U.S., is not eligible for the benefits of Section 1031 . We are proposing that you consider supporting a change in the law to include Puerto Rico as part of the eligible areas, as has been established in Sections 932 and 935 of the Internal Revenue Code providing special rules for Guam and the U.S. Virgin Islands, in the same way Puerto Rico could be incorporated to those special rules as part of the U.S.

^[1] OCIF 2016 - <http://www.ocif.gobierno.pr/documents/Q2-2013/Analisis%20Hipotecas%20sobre%20Foreclosure.pdf>

^[2] <http://www.tradingeconomics.com/puerto-rico/population>

The opportunities that Section 1031 can bring to Puerto Rico are very significant. This is an important mechanism that Congress can use to help the fiscal situation of our Island. As a nation we can strengthen our business relationships between all our U.S. citizens, and we encourage the creation of new companies in order to help our economic development, encouraging many real estate investors to make the decision to invest in Puerto Rico. This would be a win-win situation for all parties that opens doors to boost economic development and promote jobs. Consequently, more people would qualify to buy a home and help stabilize the local economy.

Respectfully we request this distinguished Task Force to consider including Puerto Rico in Section 1031.

Vanessa Rivera, President, Puerto Rico Association of REALTORS®

^[1] OCIF 2016 - <http://www.ocif.gobierno.pr/documents/Q2-2013/Analisis%20Hipotecas%20sobre%20Foreclosure.pdf>

² <http://www.tradingeconomics.com/puerto-rico/population>
