



CALIFORNIA ASSOCIATION OF REALTORS®

April 3, 2020

Betty Yee, Chair
300 Capitol Mall, Suite 1850
Sacramento, California 95814

Dear Chairwoman Yee,

On behalf of the more than 200,000 members of the California Association of REALTORS® (C.A.R.) I am writing to request the Franchise Tax Board (FTB) immediately suspend the deadlines required for 1031 like-kind exchange transactions.

C.A.R. has heard from REALTORS® who have investor clients or who themselves had begun a 1031 like-kind exchange prior to the Covid-19 crisis and who expected to complete their required transactions in a timely manner. However, they are now confronted with the possibility that they will be forced to pay unexpected and significant capital gains taxes as meeting the required deadlines is almost impossible. This is due to the decline of a functioning real estate market from the coronavirus pandemic and through no fault of the investor.

Investors who had begun the process of a 1031 exchange prior to the crisis now find themselves in a real estate market effectively shut down by the California Governor's shelter-in-place order. There has been a severe contraction in the availability of investment properties due to the crisis, as sellers pull properties from the market due to the uncertainty created by this crisis, and the constraints put on sellers and buyers by the shelter-in-place order.

Furthermore, the shelter-in-place order is being strictly interpreted in many places, making it very difficult or impossible for real estate agents to show properties to investors or for the investor who is ready to purchase, to obtain the necessary appraisals or inspections necessary to allow a property transaction to be closed. The City of Los Angeles, for example, does not allow a potential buyer to physically go in and look at a property. This makes it almost impossible for investors to complete the 45-day deadline to identify the property to be purchased and/or the 180-day deadline to close on the property being purchased.



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The failure of the investor to meet the deadlines is not due to any failure of the investor but due to the consequences of this unprecedented Covid-19 crisis. Additionally, many of these investors are small investors who can ill afford to pay the unexpected capital gains creating an additional and significant hardship in a very difficult time.

As the nation faces this unprecedented crisis the FTB (and Treasury and the Internal Revenue Service) should provide immediate relief to real estate investors by suspending the 1031 like-kind exchange deadlines until this crisis subsides and the market begins to return to normal. This will also help encourage the recovery of the real estate market aiding the state's economy once the state of emergency is lifted.

Respectfully, thank you on the behalf of all of C.A.R.s' members for your consideration of our request.

Sincerely,



Jeanne Radsick
2020 President, California Association of REALTORS®

cc Antonio Vazquez, Chairman, Board of Equalization
Keely Bosler, Director of Finance
Annette Kunze, Franchise Tax Board



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