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Viewpoint: Like-Kind Exchanges and Original Sin

Mark W. Cochran

83 TAX NOTES 431 (1999).

The original purpose for non-recognition in like-kind exchanges is obscure. If a rational explanation for section 1031 exists, it must be found in the confluence of the “substantive” reluctance to impose a tax (or allow a loss) in the absence of a change in the taxpayer’s economic position and the “administrative” concerns over valuation and liquidity. If section 1031 is to be applied in light of these purposes, courts should scrutinize any transaction in which valuation and liquidity problems are absent, even if the transaction satisfies a literal reading of the statutory language.

Keywords: like-kind exchanges, *Gregory v. Helvering*, *Redwing Carriers v. Tomlinson*, *Starker v. United States*, *Pauline C. Washburn v. Commissioner*, section 1031, *Century Electric Co. v. Commissioner*, *Carlton v. United States*, *Randolph Paul*, *Coastal Terminals Inc. v. United States*, *Alderson v. Commissioner*, *Front Street, Inc. v. Commissioner*, *Biggs v. Commissioner*, valuation, liquidity.