

including replacement of vehicle fleets by rental car firms and other types of firms with large truck or auto vehicle fleets. In addition, banks are thought to be significant users of this provision in the context of vehicle leasing programs. Partnerships reported about \$35.6 billion of deferred capital gain. In contrast to C corporations, real estate transactions accounted for nearly 90 percent of the deferred gains of partnerships in 2007.⁶

For tax year 2007, individual taxpayers deferred \$21.2 billion of capital gain using the like-kind provision. Nearly half of this amount was deferred capital gain on residential rental properties and most of the rest was business real estate and land. In total, real estate accounted for over 90 percent of the amount of gains deferred by individuals. The largest number of transactions, however, involved business personal property, primarily involving trade-ins of trucks and other leased vehicles used for business or farm purposes for replacement vehicles.

As shown in the data appendix, gains deferred by partnerships dropped dramatically from \$35.6 billion in 2007 to only \$6.1 billion in 2010 due to the effects of the recession on real estate. In contrast, gains deferred by corporations increased from \$25.8 billion to \$29.3 billion because the decline in real estate was more than offset by a dramatic increase in like-kind exchanges of vehicles.

Deferred Capital Gains in Like-Kind Exchanges in 2007						
Industry	Amounts (millions of dollars)			Percent of Total Deferred Gains		
	C Corporations	Partnerships	Individual Returns	C Corporations	Partnerships	Individual Returns
Agriculture	91	577	649	0.4	1.6	3.1
Mining	176	0	0	0.7	0.0	0.0
Oil & Gas	1,598	306	49	6.2	0.9	0.2
Construction	195	15	0	0.8	0.0	0.0
Manufacturing	1,128	7	0	4.4	0.0	0.0
Vehicles	13,374	842	0	51.8	2.4	0.0
Transport	741	14	50	2.9	0.0	0.2
Communication	481	1,229	0	1.9	3.5	0.0
Wholesale-Retail	638	293	0	2.5	0.8	0.0
Finance	3,781	512	0	14.7	1.4	0.0
Real Estate	3,197	31,394	19,724	12.4	88.2	92.8
Services & Misc.	402	722	921	1.6	1.1	4.3
All	25,801	35,580	21,265	100.0	100.0	100.0

Note: Types of deferred gains for C corporations and partnerships are based on the industry of the firm. Data on asset types is not available because most businesses state "Available upon request" on their capital gains forms. Individual deferred gains are based on transactions in the IRS SOI 2007 Sales of Capital Assets study.

⁶ While the tables are based on the industry of the partnership, analysis of like-kind exchange transactions reported on e-filed partnership returns for 2009 showed that 76 percent of the deferred gains were real estate. The largest percentages of transactions, however, were for farm equipment (33%), cars and trucks (30%) and real estate (18%).

