

Congress of the United States
Washington, DC 20515

Protect Businesses from an Unprecedented Retroactive Tax Increase

Dear Colleague,

On February 26th, Chairman Dave Camp released a proposal to advance the discussions on comprehensive tax reform, which is necessary for our nation's long-term economic growth and global competitiveness. While we applaud the efforts being made to improve our overly complicated tax code, we are deeply concerned with the draft's proposed repeal of "last-in, first-out" (LIFO) accounting method – if enacted, this would be an unprecedented retroactive tax increase on many small and large businesses in the U.S.


LIFO is a widely accepted and legitimate inventory accounting method that has been part of the U.S. tax code for more than 70 years and is used by a wide array of U.S. businesses, including manufacturers, retailers, wholesale distributors, and auto, farm and equipment dealers. These businesses use LIFO to manage the cost of inflation because they sell products that generally rise in price over time. When inventory costs rise, LIFO takes into account the costs of replacing the inventory; this allows businesses to generate after-tax income that can be reinvested in the purchase of replacement inventory, a cycle that is necessary for these companies to remain in business.

If LIFO is repealed, it would negatively impact businesses in our districts by diverting operating cash flows away from productive operations and investments, which could have a significant adverse effect on jobs and the local, regional, and U.S. economy. To mitigate the significant costs on businesses and potential job loss, the Chairman's draft proposed transition relief and a lower statutory tax rate. However, these "concessions" do not sufficiently alleviate the measureable harm that would be caused by LIFO repeal.

The goal of comprehensive tax reform is to promote fairness, economic growth and competitiveness, and to spur job creation. However, because of the burdens LIFO repeal places on U.S. businesses, it runs counter to these central tax reform goals.

Please join us in asking Chairman Camp to remove LIFO repeal from the tax reform proposal. While we share his desire for comprehensive tax reform, we believe that the costs of LIFO repeal far outweigh the benefits and are inconsistent with the fundamental goals of tax reform. If you have questions or would like to sign the letter to Chairman Camp please contact Valerie Manak (Lankford) at 225-2132 or at Valerie.manak@mail.house.gov or Lakecia Foster (Thompson) at 225-3311 or at Lakecia.foster@mail.house.gov by **May 9, 2014**.

Sincerely,


JAMES LANKFORD
MEMBER OF CONGRESS


MIKE THOMPSON
MEMBER OF CONGRESS