**To:** Members of congress that represent the constituency that your company is located within (locate your company’s members of congress at this link: <https://www.govtrack.us/congress/members> )

**Subject:** Preserve the LIFO Inventory Method

**Body:** Congressman **[Insert Congressman’s Last Name]:**

My name is **[Insert name]** and I’m **[Insert job title & firm name]** headquartered in **[Insert firm location]**. I am writing to you as an accountant of a CPA firm that is located in constituency who is worried about the negative economic impact that companies would suffer from if the LIFO method is repealed. A significant portion of our clientele that use LIFO are small businesses that would be significantly harmed if they were forced to switch to an inventory valuation method other than LIFO. Over 90% of grocery stores in the U.S use the LIFO method & these companies work on razor-thin margins. The impact of LIFO repeal on the retail grocery store industry alone will likely cause hundreds of family-owned supermarkets to realize Net Operating Losses & may force others out of business.

The most recent LIFO statistical data released by the IRS in 2012 reported that an estimated 11,000 companies use the LIFO method. As shown below, over two-thirds of the businesses that use LIFO file S-Corporation returns (typically smaller companies). This means that more small businesses would be hurt from LIFO repeal than large. A table of IRS Statistics on LIFO tax returns is shown below:



Based on the IRS figures shown above and the general tax reform framework that Congress is proposing, thousands of small businesses that use LIFO will be worse off if tax reform that includes LIFO repeal is passed. Since S-Corporation income is passed through to shareholders & owners, the earnings from these businesses are taxed based on their respective individual income bracket tax rate. More specifically, small businesses formed as S-Corporations will suffer the following if LIFO is repealed:

• Continue paying individual tax rates as high as 39.6% earned as S Corporation pass-through income

• Forced to permantly pay 1-3% higher net corporate income tax annually\*

• Forced to use working capital or take out loans to pay back LIFO reserve

• Face shortfalls in cash flows available for critical operating activities including paying employee wages

*\*1-3 percent estimate based on U.S. Census Bureau historical inflation averages; increased tax liability of LIFO repeal is caused by reduced cost of goods sold & increased net income resulting from using a non-LIFO inventory valuation method*

I’m well aware of the positive outlook that many in Congress hold towards the prospects of what substantial corporate tax reform may bring to the American economy, but small businesses should not be expected to pay more income taxes that would result from revenue-generating strategies that include LIFO repeal.

The American Institute of Certified Public Accountants (AICPA) Committee-on Federal Taxation issued a report recommending that LIFO be allowed for tax purposes in 1938, and Congress enacted the LIFO method as a part of the 1939 Revenue Act with the intent that it would remain an acceptable inventory valuation method until the end of time. Any tax reform proposal that seeks to utilize the short-term influx of revenues from LIFO taxpayers and turn a nearly 80- year old inventory accounting method into a tax expenditure is one that should be avoided at all possible costs.

Sincerely,

**[Insert Name, Job Title & Firm Name]**

**[Insert firm address]**

**To:** Members of congress that represent the constituency that your company is located within (locate your company’s members of congress at this link: <https://www.govtrack.us/congress/members> )

**Subject:** Preserve the LIFO Inventory Method

**VERSION 1**

My name is **[Insert name]** with **[Insert business name]** whom employs **[# of employees]** in **[business location]**.

I am writing to you as a constituent & employee of a business that uses the LIFO method of inventory accounting. My company has been on LIFO for **[Insert # of years on LIFO]** years. Repealing LIFO would hurt my business in the following ways:

* Decrease after-tax operating income by **[insert ATOI $ amount or percentage]**
* Decrease profit margin by **[Insert profit margin decrease percentage]**
* Increase corporate income taxes by **[Insert income tax increase $ amount]**

In short, valuing our company’s inventories using the LIFO method is imperative for our business to remain sustainable.

The LIFO method has enabled us to remain profitable and keep our doors open and our workers employed. I am hoping I can count on you to support the continuation of this important tool for American businesses. Employers across the region use LIFO to ensure inflation and the fluctuating costs associated with inventory do not negatively impact their ability to do business.

I urge you to take repeal of LIFO off the table in future and current policy discussions.

Sincerely,

**[Insert Full Name]**

**[Insert Job Title & Company Name]**

**[Insert Corporate Address]**

**VERSION 2**

My name is **[insert name]** with **[ business name]** whom employs **[# of employees]** in **[business location]**.

I am writing to you as a constituent and employee of a business that uses the LIFO method of inventory accounting. My company has been on LIFO for **[# of years on LIFO]** years, and it has enabled us to remain profitable and keep our doors open and our workers employed. I am hoping I can count on you to support the continuation of this important tool for American businesses. Employers across the region use LIFO to ensure inflation and the fluctuating costs associated with inventory do not negatively impact their ability to do business.

Some in Congress have suggested repealing LIFO as a way of raising new tax revenue as part of a tax reform plan, but abolishing LIFO as an accounting method would discriminatorily and retroactively increase taxes for hundreds of thousands of American businesses, forcing companies like mine to lay off workers, postpone investments, or take other cost-cutting measures that will hurt the economy in our state. Tax reform that imposes an unfair retroactive tax and puts employers out of business and workers out of jobs cannot be what Congress has in mind for tax reform.

I urge you to take repeal of LIFO off the table in future and current policy discussions.

Sincerely,

**[Insert Full Name]**

**[Insert Job Title & Company Name**

**[Insert Corporate Address]**