Your Company Letterhead

Congressman's Name

Congressman's Address (if sending via physical mail) Re: Preserve the LIFO Inventory Method Congressman's Last Name:

My name is [Insert your name] with [Insert your Company’s name]. Our company is headquartered in your constituency in [Insert City, ST of company headquarters]. Our company opposes any effort to repeal the last-in, first-out (LIFO) inventory method as part of any legislation to pay for tax rate reductions that are being proposed in tax reform.

LIFO is NOT a “tax expenditure” or “tax preference” – it is an inventory accounting method that has been in the tax code for 70 years, which my company has used for [# years on LIFO] years to calculate our income. The intent of Congress in 1939 was to allow the use of the LIFO method until the end of time. Their intent was not aimed at eventually forcing companies that use the LIFO method to have to pay back their LIFO reserves. LIFO repeal is a is a revenue-generating measure driven out of convenience, and it is an idea that has far more unintended consequences than benefits.

Repeal of LIFO would be an unprecedented retroactive tax increase – repeal would require my company to recalculate our income for all the years we have used LIFO and pay back to the government the tax savings we accrued by using LIFO. It would be the same as repealing accelerated depreciation or the home mortgage interest deduction and requiring taxpayers to pay back the tax savings they properly and legally accrued using those tax provisions.

Congress is considering LIFO repeal based on the need to generate revenue, but this idea fails to recognize the economic & budgetary impact of LIFO repeal. According to the Tax Foundation’s 2016 study, LIFO repeal would actually cause the following to occur:

* Reduce GDP by $11.6 billion per year and end up reducing federal revenue by $518 million annually
* Unless a special provision were made, LIFO repeal would also retroactively tax a company’s “LIFO reserve.” This additional tax could hit cash-strapped companies particularly hard and could result in 50,300 additional job losses in the short run.

Source: Tax Foundation, <https://files.taxfoundation.org/legacy/docs/TaxFoundation-FF501.pdf>

[Please provide information on your company, any information you are comfortable providing about your LIFO tax liability, and the impact of LIFO repeal on your company, i.e., will you reduce employment or refrain from hiring, postpone investments or expansions, etc.]

LIFO allows our company to most closely match the cost of goods sold with the cost of replacement inventory – just as first-in, first-out (FIFO) does for the companies which use that method – and if we do not have the capital to buy replacement inventory, we will go out of business. It is imperative for Congress to take LIFO repeal off the table and consider other revenue generating measures for tax reform.

Sincerely,

Signature

[Insert Full Name & Job Title ]