Your Company Letterhead

Senator’s Name

Senator’s Office Address

Re: Keep LIFO repeal off the table

Senator’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. 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.

[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.]

Congress enacted legislation in 1938 specifically allowing for the LIFO method to be used. The Merriam-Webster dictionary definition of a loophole is “an ambiguity or omission in the text through which the intent of a statute, contract or obligation may be evaded”. By definition, LIFO is clearly not a loophole, and it certainly shouldn’t be considered a “tax expenditure” or “tax preference” either.

The intent of Congress in 1938 was to allow the use of the LIFO method until the end of time; it wasn’t enacted with the thought in mind that Congress could repeal LIFO at a later time in order to generate revenues for tax reform. LIFO repeal is a is a revenue-generating measure driven completely out of convenience, and it is an idea that has far more unintended consequences than benefits. Most companies that use LIFO (including mine) operate on razor-thin margins, and the effects of LIFO repeal will put our company in peril.

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. Furthermore, it could force our company to possibly have to take out a loan in order to have the adequate cash flows to pay back 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 lawfully accrued using those tax provisions.

The House has excluded LIFO repeal from its tax reform bill, and the Senate Finance Committee should keep LIFO repeal off the table, too. I’ve included a one-page LIFO infographic that provides a simple explanation of how the LIFO method works, who uses it, and the consequences of LIFO repeal.

Sincerely,

Signature

[Insert Full Name & Job Title ]