

United States Senate

WASHINGTON, DC 20510

November 8, 2021

The Honorable Janet Yellen
Secretary of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Secretary Yellen:

The pandemic and related supply chain interruptions have hit the auto industry particularly hard. Making matters worse, many businesses that use the last-in, first-out (LIFO) inventory method will face significant, unforeseen tax liabilities due to their inability to replace vehicle inventory. There has been a major disruption of the global supply chain with slow-downs and factory closures, particularly with semiconductors, leaving businesses with drastically lower inventories. We are writing to ask for your assistance to grant temporary LIFO relief to businesses that have severe inventory shortages because of the pandemic.

Businesses using the LIFO inventory method must maintain a minimum level of inventory at year-end or risk recognizing excess gains that result in LIFO recapture. Supply chain disruptions have made it virtually impossible for auto and truck dealers to maintain this minimum level of LIFO inventory.

Fortunately Congress has anticipated this scenario. Temporary relief is available for businesses that cannot maintain minimum inventory levels through no fault of their own, such as a major foreign trade interruption under Section 473 of the Internal Revenue Code. We urge you to exercise your authority as Treasury Secretary to provide this relief since the current circumstances are the result of a major foreign trade interruption.

The automotive industry is facing an unprecedented inventory shortage, and it will take many months to recover – which will continue to impact local businesses, employees, and their customers throughout our states and across the country. It is critical to the health of the auto industry that we help businesses maintain their cash flow and replace their inventory over a period of up to three years as granted in Section 473. This will help give businesses time to restock and replenish inventory, and keep assembly lines moving.

We respectfully urge you to grant Section 473 relief as expeditiously as possible to help protect the auto industry and all its workers. Thank you again for your efforts to ensure a speedy economic and automotive recovery.

Sincerely,

_____/s/_____
Sherrod Brown
United States Senator

_____/s/_____
Ron Wyden
United States Senator

_____/s/_____
Margaret Wood Hassan
United States Senator

_____/s/_____
Amy Klobuchar
United States Senator

_____/s/_____
Patty Murray
United States Senator

_____/s/_____
Angus S. King, Jr.
United States Senator

_____/s/_____
Catherine Cortez Masto
United States Senator

_____/s/_____
Alex Padilla
United States Senator

_____/s/_____
Chris Van Hollen
United States Senator

_____/s/_____
Robert P. Casey, Jr.
United States Senator

_____/s/_____
Benjamin L. Cardin
United States Senator

_____/s/_____
Tina Smith
United States Senator

_____/s/_____
Richard Blumenthal
United States Senator

_____/s/_____
Jackie Rosen
United States Senator

_____/s/_____
Dianne Feinstein
United States Senator

_____/s/_____
Tim Kaine
United States Senator

_____/s/_____
Tammy Baldwin
United States Senator

_____/s/_____
Raphael Warnock
United States Senator

_____/s/_____
Debbie Stabenow
United States Senator

_____/s/_____
Gary C. Peters
United States Senator



Congress of the United States
House of Representatives
Washington, DC 20515

November 9, 2021

The Honorable Janet Yellen
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Secretary Yellen:

We are writing to urge you to exercise your authority as Treasury Secretary to grant temporary relief under Section 473 of the Internal Revenue Code (IRC) to businesses using the Last-In, First-Out (LIFO) inventory accounting method who cannot maintain inventory due to the current major foreign trade interruptions caused by the pandemic.

The COVID-19 pandemic, compounded by ongoing disruptions in global supply chains, has resulted in shortages of critical materials from lumber to semiconductors. This has made it difficult for many manufacturers, retailers and wholesalers to maintain inventory. According to the [Biden Administration](#), while retailers had 43 days of inventory in February 2020 before the pandemic began, as of June 2021, they had just 33 days of inventory. This is an unprecedented situation, which could take many months to correct.

Businesses using the LIFO inventory method must maintain a minimum level of inventory at year-end or risk triggering a recapture tax. Absent further action by the U.S. Department of Treasury, businesses that already are facing uncertainty about cash flow, working capital and inventory levels due to the global supply chain disruptions will incur the additional burden of significant, unanticipated tax liabilities.

Section 473 of the IRC, “Qualified Liquidations of LIFO Inventories,” authorizes the Treasury Secretary to provide relief from the recapture tax if “any embargo, international boycott, or other major foreign trade interruption, has made difficult or impossible” to replace inventory for “any class of goods for any class of taxpayers.” It is our view that the widespread disruption of global supply chains is clearly the type of major foreign trade interruption Congress intended to address with Section 473. This relief would permit businesses to replace their inventory over a three-year period, giving them time to restock their inventory as production normalizes. Also, providing

businesses relief from having to pay a LIFO inventory recapture tax liability will allow them to retain earnings as they recover from the pandemic, invest in their businesses and employees and replenish inventory.

Congress enacted Section 473 precisely for the type of situation occurring right now: the unforeseen and dire consequences of a worldwide pandemic, as well as a supply chain crisis, which is significantly interrupting global commerce. We urge you to grant Section 473 relief at the soonest opportunity to provide relief to businesses using LIFO, so that they can retain their employees and protect local communities from the harmful ripple effects of these problematic circumstances.

Sincerely,



Daniel T. Kildee
MEMBER OF CONGRESS



Jodey C. Arrington
MEMBER OF CONGRESS

_____/s/_____
Mark Amodei
MEMBER OF CONGRESS

_____/s/_____
Earl Blumenauer
MEMBER OF CONGRESS

_____/s/_____
Jake Auchincloss
MEMBER OF CONGRESS

_____/s/_____
Suzanne Bonamici
MEMBER OF CONGRESS

_____/s/_____
Cindy Axne
MEMBER OF CONGRESS

_____/s/_____
Brendan F. Boyle
MEMBER OF CONGRESS

_____/s/_____
Joyce Beatty
MEMBER OF CONGRESS

_____/s/_____
Anthony G. Brown
MEMBER OF CONGRESS

_____/s/_____
Don Beyer
MEMBER OF CONGRESS

_____/s/_____
Julia Brownley
MEMBER OF CONGRESS

_____/s/_____
Sanford D. Bishop, Jr.
MEMBER OF CONGRESS

_____/s/_____
Matt Cartwright
MEMBER OF CONGRESS

_____/s/_____
Jim Cooper
MEMBER OF CONGRESS

_____/s/_____
J. Luis Correa
MEMBER OF CONGRESS

_____/s/_____
Angie Craig
MEMBER OF CONGRESS

_____/s/_____
Charlie Crist
MEMBER OF CONGRESS

_____/s/_____
Madeleine Dean
MEMBER OF CONGRESS

_____/s/_____
Peter DeFazio
MEMBER OF CONGRESS

_____/s/_____
Antonio Delgado
MEMBER OF CONGRESS

_____/s/_____
Debbie Dingell
MEMBER OF CONGRESS

_____/s/_____
Mike Doyle
MEMBER OF CONGRESS

_____/s/_____
Tom Emmer
MEMBER OF CONGRESS

_____/s/_____
Ron Estes
MEMBER OF CONGRESS

_____/s/_____
Dwight Evans
MEMBER OF CONGRESS

_____/s/_____
A. Drew Ferguson, IV
MEMBER OF CONGRESS

_____/s/_____
Michelle Fischbach
MEMBER OF CONGRESS

_____/s/_____
Chuck Fleischmann
MEMBER OF CONGRESS

_____/s/_____
Vicente Gonzalez
MEMBER OF CONGRESS

_____/s/_____
Josh Gottheimer
MEMBER OF CONGRESS

_____/s/_____
Jim Hagedorn
MEMBER OF CONGRESS

_____/s/_____
Brian Higgins
MEMBER OF CONGRESS

_____/s/_____
Chrissy Houlahan
MEMBER OF CONGRESS

_____/s/_____
Bill Huizenga
MEMBER OF CONGRESS

_____/s/_____
Sara Jacobs
MEMBER OF CONGRESS

_____/s/_____
Chris Jacobs
MEMBER OF CONGRESS

_____/s/_____
David P. Joyce
MEMBER OF CONGRESS

_____/s/_____
John Joyce, M.D.
MEMBER OF CONGRESS

_____/s/_____
Marcy Kaptur
MEMBER OF CONGRESS

_____/s/_____
Mike Kelly
MEMBER OF CONGRESS

_____/s/_____
Derek Kilmer
MEMBER OF CONGRESS

_____/s/_____
Young Kim
MEMBER OF CONGRESS

_____/s/_____
Ron Kind
MEMBER OF CONGRESS

_____/s/_____
Raja Krishnamoorthi
MEMBER OF CONGRESS

_____/s/_____
Ann McLane Kuster
MEMBER OF CONGRESS

_____/s/_____
Darin LaHood
MEMBER OF CONGRESS

_____/s/_____
Doug LaMalfa
MEMBER OF CONGRESS

_____/s/_____
Doug Lamborn
MEMBER OF CONGRESS

_____/s/_____
Brenda L. Lawrence
MEMBER OF CONGRESS

_____/s/_____
Tracey Mann
MEMBER OF CONGRESS

_____/s/_____
Kathy Manning
MEMBER OF CONGRESS

_____/s/_____
Lucy McBath
MEMBER OF CONGRESS

_____/s/_____
Betty McCollum
MEMBER OF CONGRESS

_____/s/_____
David B. McKinley, P.E.
MEMBER OF CONGRESS

_____/s/_____
Carol D. Miller
MEMBER OF CONGRESS

_____/s/_____
John R. Moolenaar
MEMBER OF CONGRESS

_____/s/_____
Alex X. Mooney
MEMBER OF CONGRESS

_____/s/_____
Joseph D. Morelle
MEMBER OF CONGRESS

_____/s/_____
Frank J. Mrvan
MEMBER OF CONGRESS

_____/s/_____
Tom O'Halleran
MEMBER OF CONGRESS

_____/s/_____
Jimmy Panetta
MEMBER OF CONGRESS

_____/s/_____
Chris Pappas
MEMBER OF CONGRESS

_____/s/_____
Bill Pascrell, Jr.
MEMBER OF CONGRESS

_____/s/_____
Scott H. Peters
MEMBER OF CONGRESS

_____/s/_____
Dean Phillips
MEMBER OF CONGRESS

_____/s/_____
Kathleen M. Rice
MEMBER OF CONGRESS

_____/s/_____
Mike D. Rogers
MEMBER OF CONGRESS

_____/s/_____
Deborah K. Ross
MEMBER OF CONGRESS

_____/s/_____
C. A. Dutch Ruppersberger
MEMBER OF CONGRESS

_____/s/_____
Tim Ryan
MEMBER OF CONGRESS

_____/s/_____
Mary Gay Scanlon
MEMBER OF CONGRESS

_____/s/_____
Kurt Schrader
MEMBER OF CONGRESS

_____/s/_____
David Schweikert
MEMBER OF CONGRESS

_____/s/_____
David Scott
MEMBER OF CONGRESS

_____/s/_____
Brad Sherman
MEMBER OF CONGRESS

_____/s/_____
Jason Smith
MEMBER OF CONGRESS

_____/s/_____
Lloyd Smucker
MEMBER OF CONGRESS

_____/s/_____
Greg Stanton
MEMBER OF CONGRESS

_____/s/_____
Pete Stauber
MEMBER OF CONGRESS

_____/s/_____
Michelle Steel
MEMBER OF CONGRESS

_____/s/_____
Haley Stevens
MEMBER OF CONGRESS

_____/s/_____
Thomas R. Suozzi
MEMBER OF CONGRESS

_____/s/_____
Eric Swalwell
MEMBER OF CONGRESS

_____/s/_____
Dina Titus
MEMBER OF CONGRESS

_____/s/_____
Norma J. Torres
MEMBER OF CONGRESS

_____/s/_____
Lori Trahan
MEMBER OF CONGRESS

_____/s/_____
Juan Vargas
MEMBER OF CONGRESS

_____/s/_____
Marc Veasey
MEMBER OF CONGRESS

_____/s/_____
Jackie Walorski
MEMBER OF CONGRESS

_____/s/_____
Brad R. Wenstrup, D.P.M.
MEMBER OF CONGRESS

_____/s/_____
Roger Williams
MEMBER OF CONGRESS

cc: Lily Batchelder, Assistant Secretary, Office of Tax Policy
Brian Deese, Director, National Economic Council

United States Senate
WASHINGTON, DC 20510

February 4, 2022

The Honorable Janet Yellen
Secretary of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Secretary Yellen:

Thank you for your prompt reply to our November 2021 letter urging you to exercise existing authority to grant tax relief to certain taxpayers using the last-in, first-out (LIFO) accounting method. We appreciate that consideration of this request requires additional examination of whether the direct and primary reason for a taxpayer's inability to replace its inventory is due to a foreign trade interruption, and further analysis of which businesses and industries should be granted Sec. 473 relief. We write today to urgently reiterate our request, and ask that you grant this relief by February 15, 2022.

Enclosed you will find a letter from the Alliance for Automotive Innovation, which represents auto manufacturers that produce 99% of the cars and light trucks sold in the United States, along with automotive suppliers and technology companies. Their letter states:

“This decreased inventory production is primarily a result of the foreign supply chain disruptions caused by actions related to the COVID pandemic, especially with respect to semiconductor shortages. For example, during the end of Q4 2020 and going into 2021, it became increasingly clear that a shortage of semiconductors used for a host of essential vehicle controls would reduce new vehicle production, further impeding the industry's recovery from the supply and demand shock at the beginning of the COVID pandemic.”

Affected small businesses need to know at the earliest possible date whether relief will be granted. The taxpayers' returns must include complex and time-consuming LIFO calculations. Therefore, we respectfully urge you to provide a response, including the required Sec. 473 determinations in the *Federal Register*, no later than February 15, 2022.

The automotive industry continues to face dramatic and unprecedented inventory shortages due to the pandemic and foreign supply chain disruptions, and it will take many months for affected local businesses, employees, and their customers throughout our states and across the country to recover. Granting Sec. 473 relief will help protect the auto industry and all its workers. Thank you again for your efforts to ensure a speedy economic and automotive recovery.

Sincerely,

_____/s/_____
Sherrod Brown
United States Senator

_____/s/_____
Ron Wyden
United States Senator

_____/s/_____
Catherine Cortez Masto
United States Senator

_____/s/_____
Amy Klobuchar
United States Senator

_____/s/_____
Patty Murray
United States Senator

_____/s/_____
Angus S. King, Jr.
United States Senator

_____/s/_____
Debbie Stabenow
United States Senator

_____/s/_____
Alex Padilla
United States Senator

_____/s/_____
Chris Van Hollen
United States Senator

_____/s/_____
Raphael Warnock
United States Senator

_____/s/_____
Benjamin L. Cardin
United States Senator

_____/s/_____
Tina Smith
United States Senator

_____/s/_____
Richard Blumenthal
United States Senator

_____/s/_____
Jackie Rosen
United States Senator

_____/s/_____
Dianne Feinstein
United States Senator

_____/s/_____
Tim Kaine
United States Senator

_____/s/_____
Tammy Baldwin
United States Senator

February 18, 2022

The Honorable Janet Yellen
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Secretary Yellen:

The global pandemic has brought with it significant challenges for American families and businesses. Not only is inflation non-transitory and hitting record highs, but also our economy continues to suffer from disrupted global supply chains. These problems are cutting deeply into the pocketbooks of consumers and workers, making it harder and harder for middle-class Americans to put food on the table.

As the country continues to confront severe supply-chain disruptions, we write to express strong concerns that the Treasury Department has yet to use its existing authority to provide timely relief to auto retailers using the last-in, first-out (LIFO) method of inventory accounting. Treasury's inaction comes despite the unprecedented pandemic-related interruption of global supply chains that is severely curtailing vehicle production due to the ongoing shortage of semiconductors.

The Treasury Department received a number of requests to use existing authority under Section 473 of the Internal Revenue Code to provide temporary and targeted LIFO relief to address the "major foreign trade interruption" caused by the pandemic and related government intervention.¹ This should not come as a surprise. According to the American Institute of Certified Public Accountants, "government restrictions ... are likely to result in significant tax costs to taxpayers with LIFO inventories due to artificial and permanent increases in income through an involuntary liquidation of LIFO layers."² Recently, the Alliance for Automotive Innovation provided evidence to the Treasury Department demonstrating that auto retailers' inability to replenish inventory and the current threat of LIFO recapture is directly and primarily a result of the foreign disruption in the global supply chain caused by action related to the pandemic, especially with respect to semiconductor shortages.³

¹ Under Section 473, the Secretary may provide relief for LIFO taxpayers if a "major foreign trade interruption has made difficult or impossible the replacement during the liquidation year of any class of goods for any class of taxpayers."

² <https://us.aicpa.org/content/dam/aicpa/advocacy/tax/downloadabledocuments/aicpa-comment-letter-requesting-section-473-relief.pdf>.

³ The Alliance for Automotive Innovation (Auto Innovators) represents auto manufacturers that produce 99% of the cars and light trucks sold in the U.S. Auto retailers are independent businesses that are completely dependent on their respective manufacturers to obtain new vehicle inventory. The Auto Innovators' letter verifies the impact of pandemic-related trade disruptions on the auto industry, including relevant statistics, demonstrating why auto

Further, the auto industry is not alone in recognizing this significant and growing issue. The White House stated in its own January 20 Fact Sheet that pandemic-related disruptions to foreign semiconductor factories have resulted in the reduced production of autos.⁴ Based on the admission of this administration and the facts delivered to Treasury by stakeholders, we believe we are clearly facing a “major foreign trade interruption” within the plain meaning of Section 473.

However, under Treasury’s current interpretation, the supply chain shortage of an essential component of a larger product does not satisfy the “major foreign trade interruption” requirement. We strongly urge you to reconsider this interpretation. To require absolute sourcing to a single origin is inconsistent with modern commerce, in particular modern automobile production.

We share the same goal of a strong economic recovery and look forward to working with you to help resolve the LIFO recapture problem. However, without prompt regulatory action, we fear significant harms for auto retailers, auto jobs and auto communities. We must work to alleviate the harmful impact of pandemic-related global supply-chain disruptions and to ensure the strength of the auto industry that is so critical to the economic health of our nation.

Sincerely,



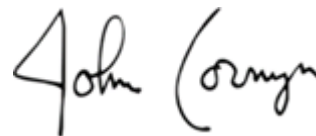
Tim Scott
United States Senator



Mike Crapo
United States Senator



John Thune
United States Senator



John Cornyn
United States Senator

retailers have found it difficult or impossible to replenish vehicle inventory. The letter states, “The well-documented global shortage of semiconductors—which are heavily dependent on international supply chains—has been the primary driver of a unique but prolonged disruption in auto manufacturing.”

⁴ White House fact sheet published January 20, 2022. <https://www.whitehouse.gov/briefing-room/statements-releases/2022/01/20/fact-sheet-biden-harris-administration-bringing-semiconductor-manufacturing-back-to-america/>.



Chuck Grassley
United States Senator



John Barrasso, M.D.
United States Senator



Marsha Blackburn
United States Senator



Roger Marshall, M.D.
United States Senator




Richard Burr
United States Senator



Rob Portman
United States Senator



Thom Tillis
United States Senator



Cynthia Lummis
United States Senator



Shelley Moore Capito
United States Senator



Steve Daines
United States Senator



James Lankford
United States Senator



Ben Sasse
United States Senator

Bill Cassidy, M.D.

Bill Cassidy, M.D.
United States Senator

Jerry Moran

Jerry Moran
United States Senator

M. Michael Rounds

M. Michael Rounds
United States Senator

Marco Rubio

Marco Rubio
United States Senator

Todd Young

Todd Young
United States Senator

Roger F. Wicker

Roger F. Wicker
United States Senator

Lindsey O. Graham

Lindsey O. Graham
United States Senator

Joni K. Ernst

Joni K. Ernst
United States Senator

Roy Blunt

Roy Blunt
United States Senator

James E. Risch

James E. Risch
United States Senator

Mike Braun

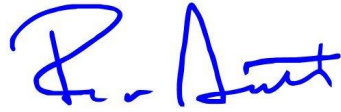
Mike Braun
United States Senator

John Boozman

John Boozman
U.S. Senator



Kevin Cramer
United States Senator



Rick Scott
United States Senator



John Hoeven
United States Senator



James M. Inhofe
United States Senator