

THE LIFO COALITION

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February 25, 2021

Mark J. Mazur, Deputy Assistant Secretary for Tax Policy
Office of Tax Policy
Department of the Treasury
1500 Pennsylvania Ave, NW
Washington, DC 20220

Hon. Charles P. Rettig
Commissioner
Internal Revenue Service
1111 Constitution Avenue, NW
Washington, DC 20224

William M. Paul, Acting Chief Counsel and Deputy Chief Counsel (Technical)
Office of the Chief Counsel
Internal Revenue Service
1111 Constitution Avenue, NW
Washington, DC 20224

Re: Request for Section 473 Relief for Businesses Using LIFO

Gentlemen:

I am writing on behalf of the LIFO Coalition to request that the Department of the Treasury provide relief under IRC § 473 for certain businesses using the Last-In, First-Out inventory accounting method whose inventory supplies have been disrupted by the COVID-19 pandemic.

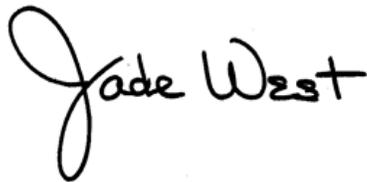
The LIFO Coalition (the Coalition), organized in April 2006, has more than 130 members including trade associations representing manufacturing, wholesale distribution, and retail industries, as well as companies of every size and industry sector that employ the LIFO method. A list of the Coalition members is attached to this document, and can be found at <http://savelifo.org/about-lifo-coalition/>.

LIFO Coalition members from a cross-section of industries have informed me that they have experienced a decrease in closing inventory as a direct result of global trade interruptions arising from the pandemic. Specifically, government actions to contain the spread of the virus have caused major trade interruptions that have made it impossible for a broad range of U.S. companies to acquire sufficient replacement inventory. Under LIFO rules, a decline in the value of LIFO inventory could trigger a recapture tax.

IRC § 473, "Qualified Liquidations of LIFO Inventories," addresses this issue and authorizes the Secretary to provide relief from the recapture tax if "any embargo, international boycott, or other major foreign trade interruption, has made difficult or impossible" the obtaining of replacement inventory for "any class of goods for any class of taxpayers." This relief is accomplished through the publication of a notice of determination in the *Federal Register* identifying the class(es) of goods and class(es) of taxpayers that are affected and the period of time to replace such inventory. Without § 473 relief, these COVID-related global trade interruptions will result in unanticipated and potentially significant tax liabilities for many U.S. LIFO companies at a time when they are still recovering from the impact of the pandemic.

On behalf of the LIFO Coalition and its impacted members, I would respectfully request that the Secretary publish in the *Federal Register* the required notice of determination providing relief for each class of goods and class of taxpayers that has experienced a qualified inventory interruption. I will be happy to provide contact information for impacted Coalition members if needed.

Sincerely,

A handwritten signature in black ink that reads "Jade West". The signature is written in a cursive, flowing style.

Jade C. West

Chief Government Relations Officer, National Association of Wholesaler-Distributors
Executive Secretariat, The LIFO Coalition