



December 22, 2021

The Honorable Brian Deese
Director, National Economic Council
The White House

Dear Director Deese:

On behalf of the National Association of Minority Automobile Dealers (NAMAD), I write you today to request your assistance to contact Treasury Secretary Janet Yellen regarding her authority under Section 473 of the Internal Revenue Code to grant temporary relief to dealerships that rely on the last-in, first-out (LIFO) accounting method. A major foreign trade interruption caused by actions related to the pandemic has made it difficult or impossible for our members to replenish vehicle inventories. NAMAD fully supports the petition filed by the National Automobile Dealers Association (NADA) last year requesting this relief. As dealers will soon file their tax returns, we ask for a swift decision by the Biden administration granting this temporary relief.

The impact of COVID-19 on supply chains around the world has been especially disruptive in the automotive sector because the industry is dependent upon an extensive international supplier network. NAMAD's members can attest to the severity of the inventory constraints that are confronting dealers across the country. Due to historic declines in production, new-car dealerships have been unable to replace their inventories to pre-pandemic levels. This problem worsened significantly during 2021, and some dealers now are reporting inventory drops in excess of 90 percent as of year's end.

This unforeseeable inability to replenish inventory will trigger LIFO recapture that will be taxed as ordinary income in 2021. Under usual circumstances, businesses using LIFO do not face exposure to LIFO recapture because they can restock their inventory to normal levels. But due to massive supply disruptions, replacing inventory by December 31, 2021, is not possible for auto dealers—leaving them with substantial shortfalls that will create significant and unexpected taxable income. This additional tax liability will have to be paid when 2021 tax returns are filed, stripping cash from privately-held businesses that rely heavily on working capital to serve our customers and make payroll.

As you may recall during our time working together in 2009, Minority-owned dealerships are family-owned businesses that serve as major employers across the country. NAMAD's members play vital roles in our local communities and create significant tax revenue for state and local governments, and consumers count on us to meet their transportation needs when buying new or used vehicles and servicing their current vehicles.

The Treasury Department has the authority to grant temporary LIFO relief to address the unprecedented set of circumstances that our members face. As outlined in the NADA petition, dealers would have the option to replace inventory over a three-year period as the market normalizes. Afterwards, dealers would return to restoring inventory within one year.

Last month, twenty Senate Democrats and 92 bipartisan House members asked Secretary Yellen to grant this temporary relief. They understand that America's dealers are confronting the continuing economic uncertainties caused by the pandemic and the challenges of unprecedented inventory constraints, and the last thing we need is a loss of working capital that is critical to keeping people on the payroll and maintaining their hours. Providing temporary LIFO relief would allow minority auto dealers to continue contributing to the communities that we help sustain. We respectfully request the Biden Administration to provide this much needed relief as soon as possible.

If you have any questions, please feel free to contact me at damon.lester@namad.org or via cell at 240-508-5915.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read 'D-L-L', with a stylized flourish at the end.

Damon Lester
President
and
Owner
Nissan of Bowie, Bowie, Maryland

cc:
The Honorable Joyce Beatty
The Honorable Judy Chu
The Honorable Paul Ruiz
The Honorable Cedric Richmond
NAMAD Board of Directors