



## LEGISLATIVE PRIORITIES – June 1, 2022

### **COSPONSOR PANDEMIC-RELATED “SUPPLY CHAIN DISRUPTIONS RELIEF ACT” (H.R. 7382/S. 4105)**

Vehicle assembly plants and suppliers across the globe ceased or slowed production during the pandemic, drastically reducing new vehicle inventory. The shortfall worsened with the worldwide shortage of semiconductors, which are essential to complete vehicles manufactured today. With no way to replenish vehicle inventory, dealers using the last-in, first-out (LIFO) method of accounting face major unanticipated tax liability due to circumstances beyond their control. The Treasury Department has existing authority (Sec. 473 of the Internal Revenue Code) to grant relief to businesses if a “major foreign trade interruption” makes inventory replacement difficult. Despite broad bipartisan congressional support for Treasury to utilize Sec. 473 from nearly [100 House Members](#) and [52 Senators](#), Treasury has declined as it believes additional legislative authority is needed.

Reps. Dan Kildee (D-Mich.) and Jodey Arrington (R-Texas) have introduced the “Supply Chain Disruptions Relief Act” ([H.R. 7382](#)), which explicitly provides Treasury such legislative authority. On April 28, Sens. Sherrod Brown (D-Ohio) and Tim Scott (R-S.C.) introduced a companion bill, [S. 4105](#). **Congress should pass H.R. 7382/S. 4105 to allow businesses on LIFO extended time to replace vehicle inventories as pandemic-related global disruptions and reduced auto production have made it nearly impossible to replenish new vehicle supply.**

### **TAX HIKES WILL HURT SMALL BUSINESS FAMILY DEALERSHIPS AND WORKERS**

The “Build Back Better” (BBB) bill under consideration by Congress may include punitive tax increases on small businesses and pass-through businesses, which include auto dealerships. Previous versions of this bill significantly limited the Section 199A deduction for pass throughs, increased the top individual rate by 2.6% and expanded the 3.8% net investment income tax (NIIT) to include all pass-through income. If enacted, the overall tax rate on a pass through would increase from 29.6% to as high as 43.4%, giving large C corporations a significant tax advantage with a new tax rate at 26.5%. Additionally, there were proposals to reduce the federal gift and estate tax exemption almost in half for 2022; eliminate stepped up basis; and tax unrealized capital gains at death.

The House passed its version of the BBB bill (H.R. 5376) in November and did not include major tax increases on pass throughs, or significantly modify taxes on family businesses. Another scaled-back version of the BBB may reemerge this summer. **Congress should preserve the Section 199A deduction and not expand taxes such as the NIIT to protect small businesses, their workers, and local communities.**

### **SUPPORT BIPARTISAN CATALYTIC CONVERTER ANTI-THEFT LEGISLATION (H.R. 6394)**

Catalytic converters are being stolen at increasingly higher rates due to their valuable metals, such as rhodium, platinum and palladium. Thefts reported in insurance company claims has sharply increased over the past three years, and the National Insurance Crime Bureau estimates that these thefts increased by 326% in 2020 and increased another 353% in 2021. Thieves can easily steal catalytic converters from unattended vehicles, and since catalytic converters are not readily traceable there is a lucrative market for these stolen parts. These thefts are costing millions of dollars to businesses and individual vehicle owners alike. [H.R. 6394](#), the “Preventing Auto Recycling Theft Act” (PART Act) would assist law enforcement in their efforts to combat this crime by providing a national framework that would mark catalytic converters, establish federal criminal penalties, and create a more transparent market that deters its theft. In conjunction with National Police Week, NADA and 14 other trade associations sent a [letter](#) to House Energy and Commerce Committee leadership in support of the PART Act. **Members of Congress are urged to cosponsor H.R. 6394 to address the growing national problem of catalytic converter theft.**