

**Treasury Secretary Yellen Responses to Questions for the Record
Regarding the “Supply Chain Disruptions Relief Act”
Demonstrate Continued Support for Legislative Justification Under Existing Law to
Address this Pandemic-Related Supply Chain Issue**

Treasury’s Response from the March 10, 2023 Hearing on “President Biden’s Fiscal Year 2024 Budget Request with Treasury Secretary Janet Yellen”

Rep. Dan Kildee (D-Mich) Question: As you know, supply chain disruptions resulted in massive vehicle inventory shortages as well as tax penalties that uniquely affect automotive dealers. I was disappointed that the Treasury Department did not grant relief under Section 473 of the Internal Revenue Code, as I believe the department could have granted relief under its existing authority. However, I appreciate the Treasury Department’s cooperative effort to provide a technical fix and legislative solution that complements the existing authority in the tax code.

Will Treasury continue to work with Congress to pass the bipartisan Supply Chain Disruptions Relief Act to grant temporary and targeted relief to dealers who cannot replenish their inventory through no fault of their own?

Answer: Treasury stands ready to continue to work with Congress on this topic and to implement any legislation that is enacted.

Treasury's Response from the June 8, 2022 Hearing on “Proposed Fiscal Year 2023 Budget with Treasury Secretary Janet Yellen”

Rep. Dan Kildee (D-Mich) Question: Due to pandemic-related foreign trade disruptions, we are experiencing a shortage of semiconductors that is impacting automobile manufacturing. This shortage has created an unexpected tax liability for automobile dealers that use the “Last In, First Out” (LIFO) inventory accounting method and who are required to maintain a minimum inventory of new vehicles or face a recapture tax. This recapture tax—which is only meant to be paid when a dealer retires or completely liquidates their inventory—creates a large unexpected tax liability for locally owned dealerships. For many, it is jeopardizing their ability to keep employees on the payroll and support their local economies.

I have introduced bipartisan legislation, H.R. 7382, the Supply Chains Disruptions Act, that would authorize the Treasury to grant temporary tax deferral for dealerships using LIFO that have struggled to maintain their inventory during the pandemic. Does the Administration support H.R. 7382, the Supply Chains Disruptions Act?

Answer: I understand Treasury staff has been working with congressional staff on producing legislation that would provide relief for impacted automobile dealers. We support a legislative solution and look forward to continuing to work with you through the process.