

**Question for the Record from Rep. Dan Kildee (D-Mich) during House Committee on Ways & Means Hearing on “Proposed Fiscal Year 2023 Budget with Treasury Secretary Janet Yellen”
June 8, 2022**

Treasury's Response – August 24, 2022

Last In, First Out

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.