

TIMELINE

Exhaustion of Administrative Remedies with the Treasury Department and Legislative Support for the “Supply Chain Disruptions Relief Act”

January 26, 2024

1980 – Congress provided the Treasury Department authority under Sec. 473 of the Internal Revenue Code to grant temporary last-in, first-out (LIFO) relief to allow businesses to elect to replace inventories over a three-year period if a “major foreign trade interruption” makes inventory replacement difficult or impossible. [Link](#)

Early 2020-2022 – Vehicle assembly plants and suppliers across the globe ceased or slowed production during the pandemic, drastically curtailing inventory for new vehicle dealers. The shortfall worsened with the worldwide shortage of semiconductor chips, which are essential to complete every vehicle manufactured today. These dramatic supply constraints and the continued U.S. consumer demand for vehicles created the lowest level of dealer inventories in decades.

With no way to replenish inventory in 2020 and 2021 due to circumstances beyond their control, dealers using LIFO faced major unanticipated tax liability due to LIFO recapture that would strip much needed working capital from closely held dealerships, particularly small family-owned dealerships.

Nov. 20, 2020 – Since Treasury has the authority to provide relief to businesses facing difficulty replacing vehicle inventory due to the unprecedented supply chain shortages, NADA petitioned Treasury requesting expedited Sec. 473 relief for auto dealers to elect to replace inventories over a three-year period. [Link](#)

Fall 2020-2021 – NADA meets on several occasions with Treasury Department officials to request that they use their regulatory discretion to provide LIFO relief for dealers to treat these uncontrollable shortfalls of inventory as qualified inventory liquidations that do not trigger LIFO recapture if the dealer replaces the inventory within three years since they cannot replace inventory due to a “major foreign trade interruption.”

Feb. 25, 2021 – LIFO Coalition requested Sec. 473 relief for impacted businesses using LIFO. [Link](#)

April 27, 2021 – American Institute of CPAs (AICPA) requested for relief under Sec. 473. [Link](#)

Aug. 17, 2021 – AICPA requested for safe harbor method and expedited relief under Sec. 473. [Link](#)

Sept. 1, 2021 – NADA sent a letter to Treasury following up after a meeting with the Office of Tax Policy. [Link](#)

Nov. 8, 2021 – Sen. Sherrod Brown (D-Ohio) led a letter from 19 Senate Democrats to Treasury, urging LIFO relief. [Link](#)

Nov. 9, 2021 – Reps. Dan Kildee (D-Mich.) and Jodey Arrington (R-Texas) led a bipartisan letter from 90 other House Members to Treasury, urging LIFO relief. [Link](#)

Nov. 29, 2021 – Congressional letters from 20 Senate Democrats and 92 bipartisan members of the House of Representatives urging the Secretary of the Treasury to use Sec. 473 authority to grant LIFO relief prompted a preliminary response from Treasury. [Link](#)

Dec. 22, 2021 – National Association of Minority Automobile Dealers (NAMAD) sent a letter to the National Economic Council in support of NADA’s LIFO petition. [Link](#)

Jan. 20, 2022 – The White House published a Fact Sheet which documented that automakers could not complete the final assembly of vehicles, due to pandemic-related foreign trade interruptions, including a severe shortage of critical semiconductor chips. Therefore, demonstrating that dealers were unable to sufficiently replace inventory. [Link](#)

Jan. 21, 2022 – Alliance for Automotive Innovation sent a letter to Treasury on disrupted supply chains. The letter provided data showing that: “auto dealers have been unable to acquire a sufficient number of new vehicles from manufacturers to replenish their depleted inventories” and “decreased inventory production is primarily a result of the foreign supply chain disruptions caused by actions related to the COVID pandemic, especially with respect to semiconductor shortages.” [Link](#)

Jan. 24, 2022 – NADA responded to two issues raised in Treasury’s Nov. 29 response to Congress, noting that key facts released in the past week clearly meet Treasury’s requirement that the decrease in closing inventory must be directly and primarily attributable to the foreign disruption in the supply chain. For the second issue, Treasury’s response improperly narrowed Sec. 473 by asserting that “Businesses that primarily source and produce inventory within the United States are not eligible for [Sec. 473] relief...” *However, this condition imposed by Treasury is not present in Sec. 473 or the legislative history and should not be considered a requirement.* Treasury did not respond to the letter. [Link](#)

Feb. 4, 2022 – Sen. Brown and 18 Democratic colleagues sent a second, stronger NADA-backed letter to Treasury. [Link](#)

Feb. 18, 2022 – Sen. Tim Scott (R-S.C.) sent a Republican-only letter with 31 other Senators urging LIFO relief. [Link](#)

Early 2022 – Bipartisan Congressional offices meet with Treasury and decide to draft legislation to provide temporary supply chain relief to dealers of new automobiles, since the facts and circumstances of the auto industry meet the requirements under current law, Sec. 473.

April 4, 2022 – Reps. Kildee and Arrington introduced [H.R. 7382](#), the “Supply Chain Disruptions Relief Act”. This bill would allow businesses on LIFO extended time to replace vehicle inventories, which will reduce LIFO recapture tax liabilities. [Link](#)

April 14, 2022 – AICPA sent a letter in support of H.R. 7382. [Link](#)

April 28, 2022 – Sens. Brown and Scott introduced [S. 4105](#), the “Supply Chain Disruptions Relief Act,” the Senate companion bill to H.R. 7382. [Link](#)

June 8, 2022 – During a House Ways and Means Committee hearing titled “Proposed Fiscal Year 2023 Budget” with Treasury Secretary Janet Yellen, Rep. Kildee filed a question for the record (QFR) asking Secretary Yellen if the administration supported H.R. 7382.

Aug. 24, 2022 – The Treasury Department responded to Rep. Kildee’s QFR, indicating its support for a legislative solution to this issue, stating that they will work cooperatively with Congress to that end. [Link](#)

Dec. 22, 2022 – S. 4105 passed the Senate by unanimous consent. It ultimately received 60 bipartisan cosponsors but the 117th Congress ended without the House taking up the legislation which had received 175 bipartisan cosponsors. [Link](#)

Feb. 1, 2023 – Reps. Arrington and Kildee reintroduced the House companion of the “Supply Chain Disruptions Relief Act” ([H.R. 700](#)) which is identical to the legislation from last Congress. [Link](#)

Feb. 15, 2023 – Sens. Brown and Scott reintroduced the “Supply Chain Disruptions Relief Act” ([S. 443](#)) with a total of 50 original cosponsors. [Link](#)

March 7, 2023 – The Oklahoma Automobile Dealers Association submits a statement for the House Committee on Ways and Means hearing entitled “State of the American Economy: The Heartland” [Link](#)

March 8, 2023 – AICPA sent a letter in support of S.443 and H.R. 700. [Link](#)

March 10, 2023 – During a House Ways and Means Committee hearing titled “President Biden’s Fiscal Year 2024 Budget Request” Rep. Kildee filed a question for the record asking if Treasury will continue to work with Congress to pass the H.R. 700. Secretary Yellen responded that “Treasury stands ready to continue to work with Congress on this topic and to implement any legislation that is enacted.” [Link](#) and p. 48 <https://gop-waysandmeans.house.gov/wp-content/uploads/2023/08/WEBSITE-Yellen-Hearing-Transcript.pdf>

May 5, 2023 – Justin Fuller, CPA, Hardy Family Automotive in Dallas, Georgia, submits a statement for the House Committee on Ways and Means hearing entitled “State of the American Economy: The South” which included support for H.R. 700. [Link](#)

November 30, 2023 – Joint Committee on Taxation released an updated revenue score for H.R. 700. It should be noted that all the revenues will eventually be returned to the government as the relief is just a timing/deferral issue. [Link](#)

January 19, 2024 – House Ways and Means Committee marked up H.R. 7024, Tax Relief for American Families and Workers Act of 2024., several members of Congress, including LIFO sponsor [Jodey Arrington \(R-Texas\)](#) and cosponsors [Reps. Mike Kelly \(R-Pa.\)](#), [Carol Miller \(R-W.Va.\)](#), [Beth Van Duyne \(R-Texas\)](#) and [Brad Wenstrup \(R-Ohio\)](#), highlighted that while H.R. 700 was not included in the tax package this technical and bipartisan bill should be included in the package as it moves forward.

January 23, 2024 – The “Supply Chain Disruptions Relief Act” continues to gain bipartisan and bicameral momentum and to date has 63 cosponsors in the Senate and 165 in the House ([link](#)) and three quarters of the House Ways and Means Committee and Senate Finance Committee Members as cosponsors ([link](#)).