THE LIFO COALITION

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October 2, 2013

Honorable Dave Camp
Chairman, House Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

IDENTICAL LETTER SENT TO ALL GOP MEMBERS OF THE WAYS & MEANS COMMITTEE

Dear Chairman Camp:

I am writing on behalf of the LIFO Coalition in response to the ongoing discussions of tax reform among the Republican members of the Ways and Means Committee. The LIFO Coalition, which represents trade associations and businesses of every size and industry sector that employ the LIFO method, was organized in April 2006 when LIFO repeal was first proposed in the Senate as a revenue offset to fund unrelated policies. Since then, the Coalition has grown to include more than 120 members including trade associations representing a wide swath of American industry and companies of all sizes.

While we understand that no legislative proposal has been finalized, we are reliably informed that the Committee Republicans are very likely to include repeal of LIFO in some form in their proposal. The members of the LIFO Coalition are intensely concerned about these reports and we urge the Committee majority not to take action on LIFO.

Repeal of LIFO would be an unprecedented retroactive tax increase, would have measureable negative economic consequences on jobs and economic growth, and would predominately impact small- and mid-sized pass-through companies. No contemplated reduction in tax rates would be sufficient to offset the cost of LIFO repeal. That is particularly true for the hundreds of thousands of pass-through entities which pay tax on the individual side of the tax code, given the challenge the Committee and Congress face in lowering the individual rate to the same level as the corporate rate.

LIFO is not a tax expenditure used by a single industry or small number of companies. It is an accepted inventory accounting principle that has been in use for 70 years, is used by more than one-third of companies, and is used by a wide variety of companies across manufacturing, wholesale distribution, retail, and extractive industries. The use of LIFO to value a company's inventory is in accord with Generally Accepted Accounting Principles. Moreover, it is well documented that inventories are already subjected to one of the highest incidences of taxation of any asset class in the Internal Revenue Code. The list of LIFO Coalition members, attached, clearly demonstrates that repeal of LIFO would have a major impact across multiple industry sectors.

LIFO is an entirely appropriate method to account for inventory that tends to rise in price. LIFO allows those companies that use it to generate sufficient after-tax cash flow to enable them to purchase replacement inventory at ever-rising prices. Were they to have to pay tax on illusory inflation-generated profits, many would not have sufficient cash flow to purchase the replacement inventory necessary for them to remain in business; repeal of LIFO would very simply force a large number of companies to close their doors. That cannot be what tax reform is intended to do.

Moreover, while there is an unfortunate and inaccurate focus on the large, publicly-traded companies that use LIFO, the brunt of repeal would be felt by hundreds of thousands of small- and mid-sized pass-through LIFO companies – companies that are least able to absorb a huge tax increase. The Obama Administration's Small Business Administration Office of Advocacy made that point very clearly in their letter to the President's Economic Recovery Advisory Board (PERAB) in 2009. In their letter, they wrote: *"**Ultimately, eliminating the ability to use LIFO would result in a tax increase for small businesses that could ultimately force many small businesses to close.**"*

That grim impact of repeal is a result of its unprecedented retroactivity. The overwhelming majority of the revenue that would be derived from repeal would come from the one-time "recapture tax" – the taxation of the LIFO reserves that companies have built during all the years they have used LIFO, some for many decades. The inescapable fact is that repeal of LIFO with a recapture tax would require every company now on LIFO to recalculate its taxes for every year that it has used LIFO, and pay back to the government the tax savings it derived – legally and properly – for each of those years. No other provision in the Internal Revenue Code is being discussed in this context. There is no plan to repeal accelerated depreciation, or the mortgage interest deduction, and require taxpayers to pay back to the government the tax savings from their use of those deductions. LIFO should not be treated differently.

Further, and of critical importance, there are no transition rules that would mitigate the harm of repeal, because there is no additional cash flow coming into the company with which to pay the retroactive tax bill. The LIFO reserve is not a liquid asset sitting in an account, it is an accounting entry. Taxes on existing LIFO reserves are due when the inventory levels are reduced, or when a company closes or is acquired. In each of those circumstances, there is cash flow generated by the sale or liquidation of inventory with which to pay the owed tax. Repealing LIFO and requiring companies to pay the retroactive "recapture tax" would leave those companies with a big tax bill, but with no additional cash flow with which to pay it. Again, it is on the small and mid-sized companies that the burden would fall the hardest. I am attaching a document containing verbatim comments from members of the National Association of Wholesaler-Distributors describing actions they would have to take were LIFO to be repealed: reducing their workforce, postponing hiring, cancelling or delaying an expansion or other investment, reducing contributions to employee health care or retirement plans. Some would be forced to sell off inventory; some would simply be put out of business. Again, this cannot be what tax reform is intended to do.

Finally, there was reason to believe a few years ago that the Securities and Exchange Commission (SEC) was likely to fully adopt the International Financial Reporting Standards (IFRS), which do not permit the use of LIFO, and that legislative action to repeal LIFO was necessary for Congress to claim the revenue that would be derived from its repeal. That is no longer the case, especially in the near term. In July, 2012, the SEC released a comprehensive staff report which made clear that full convergence with IFRS was unlikely under any circumstances, and that issues like prohibiting the use of LIFO – specifically mentioned in the report – were unlikely to be included in any partial move to IFRS. With full adoption of IFRS no longer likely, the threat to LIFO today is in the Congress, not the SEC.

We understand that comprehensive tax reform is a complicated and politically challenging task, and commend the committee for undertaking it. Also, we understand that the committee is seeking sources of revenue to make tax reform revenue neutral, and we commend that as well.

However, repeal of LIFO because of the revenue it might produce – and without any articulated policy reasons for that repeal – would ignore the very real negative consequences of repeal, and punish mostly smaller businesses, which are already struggling and which have been complying with the law and have done nothing to warrant this government punitive action. Our economy continues to struggle, and imposing a retroactive tax on small business job creators would be counter-productive – as well as completely unfair.

The LIFO Coalition urges you to exclude LIFO repeal from any tax reform legislation you propose.

Sincerely,

Jade West

Jade West
NAW Senior Vice-President, Government Relations
LIFO Coalition Executive Secretariat

Attachments:
LIFO Coalition Membership List
NAW Member Company Verbatim Comments on LIFO Repeal

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Alabama Grocers Association
American Apparel & Footwear Association
American Chemistry Council
American Forest & Paper Association
American Fuel and Petrochemical Manufacturers
American Gas Association
American International Automobile Dealers Association
American Iron and Steel Institute
American Petroleum Institute
American Road & Transportation Builders Association
American Supply Association
American Veterinary Distributors Association
American Watch Association
American Wholesale Marketers Association
Americans for Tax Reform
AMT-The Association for Manufacturing Technology
Associated Equipment Distributors
Association for High Technology Distribution
Association for Hose & Accessories Distribution
Association of Equipment Manufacturers
Automobile Dealers Association of Alabama
Automotive Aftermarket Industry Association
Brown Forman Corporation
Business Roundtable
Business Solutions Association
California Independent Grocers Association
Caterpillar Inc
Ceramic Tile Distributors Association
Connecticut Food Association
Copper & Brass Servicenter Association
Deep South Equipment Dealers Association
Deere & Company
East Central Ohio Food Dealers Association
Equipment Marketing & Distribution Association
Far West Equipment Dealers Association
Farm Equipment Manufacturers Association
Financial Executives International
Food Industry Alliance of New York State
Food Marketing Institute
Forging Industry Association
Gases and Welding Distributors Association
Greater Boston Chamber of Commerce
Health Industry Distributors Association
Healthcare Distribution Management Association
Heating, Airconditioning & Refrigeration Distributors International
Illinois Food Retailers Association
Independent Lubricant Manufacturers Association
Industrial Fasteners Institute
Industrial Supply Association
International Foodservice Distributors Association
International Franchise Association
International Sanitary Supply Association
International Sealing Distribution Association
International Wood Products Association
Iowa Grocers Industry Association
Iowa Nebraska Equipment Dealers Association
Jewelers of America
Kansas Food Dealers Association
Kentucky Association of Convenience Stores
Kentucky Grocers Association
Louisiana Retailers Association
Maryland Retailers Association
MDU Resources Group
Metals Service Center Institute
Mid-America Equipment Retailers Association
Midwest Equipment Dealers Association
Minnesota Grocers Association
Minnesota-South Dakota Equipment Dealers Association
Missouri Grocers Association
Missouri Retailers Association
Montana Equipment Dealers Association
Moss Adams LLP
NAMM-The International Music Products Association
National Association of Chemical Distributors
National Association of Convenience Stores
National Association of Electrical Distributors
National Association of Manufacturers
National Association of Shell Marketers

National Association of Sign Supply Distributors
National Association of Sporting Goods Wholesalers
National Association of Wholesaler-Distributors
National Auto Dealers Association
National Beer Wholesalers Association
National Electrical Manufacturers Association
National Federation of Independent Business
National Grocers Association
National Lumber and Building Material Dealers Association
National Paper Trade Alliance
National Roofing Contractors Association
National RV Dealers Association
Nebraska Grocery Industry Association
New Hampshire Grocers Association
New Jersey Food Council
North American Equipment Dealers Association
North American Wholesale Lumber Association
Ohio Grocers Association
Ohio-Michigan Equipment Dealers Association
Paperboard Packaging Council
Pet Industry Distributors Association
Petroleum Equipment Institute
Power Transmission Distributors Association
Printing Industries of America
Professional Beauty Association
Retail Grocers Association of Greater Kansas City
Retail Industry Leaders Association
Safety Equipment Distributors Association
SBE Council
Security Hardware Distributors Association
Society of Independent Gasoline Marketers of America
SouthEastern Equipment Dealers Association
Southern Equipment Dealers Association
SouthWestern Association
Souvenir Wholesale Distributors Association
SPI: The Plastics Industry Trade Association
State Chamber of Oklahoma
Textile Care Allied Trades Association
Tire Industry Association
U.S. Chamber of Commerce
Washington Food Industry Association
Wholesale Florist & Florist Supplier Association
Wine & Spirits Wholesalers of America
Wine Institute
Wisconsin Grocers Association, Inc.
Wood Machinery Manufacturers of America

N·A·W

WHOLESALER-DISTRIBUTOR COMMENTS ON LIFO REPEAL PROPOSAL

(Verbatim comments from NAW member companies on the impact of LIFO repeal)

We have used LIFO for many years. Our current LIFO reserves are $30 million. Repeal of LIFO would cost us approximately $12 million in additional taxes for the reversal of our accumulated reserves. LIFO currently contributes almost $2 million each year in positive cash flow which would be lost immediately. On average this is going to require us to replace this cash flow; and more than likely the replacement of cash flow is going to come from reductions in jobs, either existing or potential new jobs. Since this $2 million is an annual impact, and in conjunction with the loss of the $12 million on current LIFO reserves, that is a total loss of over $52 million over the 20 year period. The $2 million annual impact is going to mean we are going to have to reduce, or not create, jobs to a degree of magnitude of approximately 25 to 30. In addition, the loss of cash flow over the 20 year amortization period will result in another 8 to 10 jobs being lost or not created. The combined loss of jobs is 30 to 40.

I run a $120 million family owned supply business and we would be affected significantly. As an example, last year we recorded $800,000 of an increase to our LIFO reserve. Without this we would have paid an additional $320,000 in taxes. Our LIFO reserve is approx. $2.5 million at this time. It doesn't
look like the current LIFO reserve would immediately be converted to earnings
(this would be a huge burden), but going forward it could significantly affect our taxes paid and would probably hinder our ability to do the following: share health care costs, contribute to our Profit Sharing Plan and possibly hinder our acquisition strategy and reduction of debt.

LIFO is vital to the ongoing success and survival of our Company ... The tax benefits allow us to remain in the market ... In fact, without those savings, we would have to drop our employee 401k plan, slow our growth, and possibly even retract our employee count ... None of which can be good for the economy.

New tax burden would result in the loss of profits used to employ two people....two jobs lost.

The impact on our customers would be severe. It would be reasonable to assume that many of our larger automotive customers would be unable to withstand the tax burden, and would be forced to seek bankruptcy protection. So whereas the initial tax loss would be painful for our company, our industry can expect wholesale customer failure, the resulting financial default, and perhaps a broad based industry wide failure at the service center level as well.

We have 18 employees and our sales the last few years have been in the $4.5 million range. Our lifo reserve is $595,000.00; if we had to pay taxes on this, the hit would be very significant.

Repeal of LIFO would cost our business $6 million (approx.) in taxes and recapture. On an annualized basis, we would lose $700k. In addition, we would be forced to cut costs (JOBS!!!)

It would change how we value our inventory and reflect negatively tax wise. This would cost us money coming directly from the bottom line and would affect future hiring and expenditures.

We would carry less inventory and that might further cripple manufactures in this state. Probably need less people employed having less inventory to manage. Would also slow economy as we would be buying less inventory to hold.

Major adjustment to inventory valuations resulting in a large increase in taxable profits thus I would have to scale back expansion plans for next 3 years that include a large addition to my facility and an increase estimated to be 12 additional jobs.

To repeal the LIFO method of inventory evaluation would put a very heavy burden on our company. Many of the items in our inventory are slow moving and this causes the replacement cost to erode the profit we thought we made. The LIFO inventory method helps insulate us from that loss. To lose this method will affect our ability to be competitive and ability to grow. This of course means fewer people employed.

Less capital investment in our business which would ultimately impact on our future growth, profitability and employment.

Impact would deter our company's future growth initiatives which would result in the lack of creation of new jobs and possible reduction in current workforce

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IF WE HAD TO PAY THE TAX ON OUR LIFO RESERVE WE WOULD HAVE TO PAY OVER $1,000,000.00. THIS WOULD PUT US OUT OF BUSINESS

Higher taxes would cause us to reduce staff and/or benefits to staff in order to remain competitive.

Our taxes in times of inflation would be increased. These additional taxes could cost jobs and reduced inventory which could result in lost orders. Lost orders could result in closing a twenty-two year old companies. With all the other barriers small businesses face, the last thing we need is more to bear.

It will suck us down financially and cause us to consider our current level of employment...I would assume that most business owners will do the same

The loss of the ability to use LIFO as a method of valuing our inventory could have potentially a grave impact on our ongoing business. Our company has almost 300 employees in three states and the additional potential tax liability could be crippling.

If LIFO is repealed,this would stop our growth of new locations and additional employment

My employees would suffer as I would not be able to continue their benefits at the level I currently do. I would have to pass on all health insurance costs to them as well as reconsider how I match and contribute funds to their 401(k). Also, layoffs or reduced work weeks to cover the financial impact would have to be considered. There would not be any pay increases if I had to pay my reserve back quickly. The impact in this stagnet area would be almost impossible to overcome.

It would ruin us.

The tax impact would be a significant drag on our profitability which would most likely translate into smaller salary increases and reduced benefits to our employees.

The ability to lessen the inflation driven tax burden of our inventory will allow us to invest in new employees and capital expense projects feuling economic growth in our region. A higher tax burden would significantly impact our expansion plans in the future. If we had to use FIFO our willingness to invest in those actions would be curtailed or stopped, especially since much of our inventory costs are heavily impacted by oil dependent products and steel products,the segments that are inflating the most.

$500,000 in additional taxes. Increase in interest to pay for taxes and certainly an impact on our ability to hire and care for our employees.

The repaeal of LIFO acounting would cost me a minimum of $50,000 a year in additional taxes and would force me to either lay off one or two people and/or cut the amount of inventory I carry to a dangerous level..

We would have to reverse our current LIFO reserve and pay tax of over $1.6 million. This tax burden would impede our human and physical capital expansion plans.

Significant detrimental impact on cash flow related to inflation in the cost of raw materials. Cash flow would be diverted from expansion and job creation.

Significant impact on earnings and tax liability, which would have a negative impact on profitability and cash flow, thus limited the amount of reinvestment we could do (i.e., capital expenditures, new hires).

Our Lifo reserve is currently over $2,000,000. Eliminating LIFO would cripple our firm. We have 135 full time and 20 part time employees.

Negative effect on wages/bonuses paid, leave less money for investing back into business.

Higher taxes for a struggling privately held business that supplies 350 jobs in rural _________ , which lost all 7 textile factories to overseas competition in the past 15 years.

Lifo repeal would cause us to pay taxes totaling approximately $50 to $60 million. These are funds that we currently have invested in the business to help provide jobs to our associates.

We would lose working capital that could slow our growth plans and employment

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Unfortunatly our poeple are our biggest expense, I am sure it would cost some of my employees their jobs.

WE WOULD EXPERIENCE A LARGE INCREASE IN OUR TAXES, WHICH MIGHT RESULT IN LAYOFFS OF PERSONNEL

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a tax liability of over $350,000. which will hurt cash flow and we will cut our employment

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Our LIFO reserve is currently about $1.7 million. If we were forced to recapture the reserve as income the resulting tax bill would wipe out about half of our net worth and put a severe squeeze on our cash flow. I don't know if we could survive that since we would then be in violation of our bank covenants that relate to our bank debt. For us it would be diasterous.

More critical on employee expenses, ie, medical bebefits,pay raises & possibly job/s.

The impact would be devastating, probably forcing us out of business. Rather than being able to fund our inventory with our own resources, a liquidation of LIFO inventory would require us to borrow, which in our difficult economic climate would push us into annual losses, and force the sale or liquidation of the company. This is not a worse case scenario, but a likely, if not certain outcome, if we were forced to liquidate our LIFO inventory.

Devastaing. We would have the potential of future growth severly impacted as funds earmarked for growth would have to be diverted to paying taxes so we would not be able to add any new jobs and probably would have to consider cutting back on some of the positions we have as the money would not be there to be able to pay our employees.

Assuming repeal means that catching up is required I would expect an out of pocket tax hit at the time of repeal of approx. $500,000 and an ongoing yearly hit of approx. $100,000 to $150,000 per year. This would require us to reduce employment just to stay even and I suspect we force us to eliminate approx. 3 family wage jobs. Further we would have to reduce spending on new product development.

WE HAVE USED FOR LAST 22 YEARS WE HAVE A RESERVE OF APPR 750,000. THIS ADDITIONAL INVESTMENT THE TAX PAYMENT WOULD PUT US UNDER.

Significant impact on additional tax liability, which would influence our decision on hiring additional personnel and/or investing in additional equipment.

Repeal of LIFO would have a devastating impact on our operations by depleting our working capital. It could cost jobs, or cause us to cease operations

Significant annual expense increase that would add nothing. We would have to cut employment to cover the cost.

Our company has been on LIFO inventory valuation for over 45 years. The repeal of LIFO could very possibly have such an huge impact that we may be forced to close our doors putting over 30 individuals employed in Pennsylvania & Ohio out of work.

In this thin-margin distribution business, the recapture of my LIFO Reserve would be financially devastating. At least, it would severely hinder my ability to grow and add jobs. At worst it could cause me to shut down the business due to the heavy tax bite and loss of financing from restating my fincancial statements and now being out of compliance with loan covenants.

The immediate impact would be an additional tax burden of $560,000. While Congress may find this appealing, this gain would be very short term as the only way for us to pay for this additional tax liability would be to restrict hiring and salary increases for our employees and reduced capital investment.

Repeal of the LIFO inventory valuation method would have a material impact on our business. It would severely impact our ability to grow our business and thus our ability to generate more revenue and profits. This would also limit our ability to grow our employee group.

AS A WHOLESALE DISTRIBUTOR UTILIZING THE LIFO ACCOUNTING METHOD THE REPEAL OF SUCH WOULD HAVE A DEVASTAING EFFECTON THIS COMPANY. OUR INDUSTRY IS NOT A HIGH MARGIN/HIGH PROFIT INDUSTRY AND TO REPEAL LIFO WOULD DECREASE OUR EMPLOYEE COUNT BY UP TO THREE PEOPLE OR ABOUT 4.5% OF OUR WORKFORCE.

A negative hit to our bottom line of close to $200K. Most likely resulting in layoffs, pay freezes and possible sale of company (privately held since 1857)

The LIFO reserve has allowed us to grow from $400,000 to $12,500,000 in sales over the past 33 years. It allowed us to increase our payroll from 5 to 52 employees, to sponsor a 401K program, pay for 1/2 of our employees health care and keep 95% of them year round even though we are a very seasonal business. I do not think we would servive having to pay the taxes that elimintation of LIFO would mandate without cutting the size of our business at least by half.

TERRIBLE. LAYOFFS, INVENTORY REDUCTIONS, NO NEW EXPENDITURES; SOFTWARE, TRUCKS, ETC.

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If our company is forced to recover our entire LIFO reserve at the current tax rates it would cost us more than our total net income over the past three years combined.

Repeal of LIFO would have a devastating impact on my business and in fact might threaten our very survival in these difficult times.

We have used the LIFO method for years. WOuld the back taxes be due now?? If so, it could possibly cause us to have to close and lose our business.

Our company would be worse-off economically and our accounting methods less conservative were we to switch from LIFO to some other inventory valuation methodology. From an economic standpoint, we would have to pay income tax (state and federal) on unrealized, inventory profits caused solely by price inflation in the products we distribute--an occurrence that provides us with little or no economic benefit. We would experience negative cash flow equal to our total effective income tax rate times our LIFO reserve, which has grown dramatically due to unprecedented, and perhaps unsustainable, increases in the prices of products containing copper, steel and polyvinylchloride (PVC). Since our company is a net borrower on a daily basis, we would be forced to borrow the funds to pay the resulting income taxes, thereby permanently increasing our debt level and associated interest expense. This situation is akin to having to draw down on a home equity line to pay the tax on the appreciation of your house because you've never received any cash from the "profits" resulting from the rise in your home's value. From an accounting standpoint, LIFO is superior to both the FIFO and average cost inventory valuation methods since it provides better matching of current revenues to current replacement costs. In short, the original reasons for allowing companies to use LIFO for tax (and book) purposes still exist. It is unfair and should, therefore, be against public policy to tax unrealized profits, which are locked-up in inventory in our case. And matching current revenues and costs provides the readers of financial reports a more conservative view of company performance with which to make investment decisions.

Our primary product lines are steel and steel products, copper, and other commodity based products. Throughout the last thirty years or more, our company was able to set aside LIFO reserves during the inflationary period when it was first adopted in the 1970's, and again during the last three years. We have opened new branches, expanded into new lines of business, made new alliances with suppliers and customers and hired new employees. We have also paid our people well. This is what a strong economy is based upon. If we were required to take our LIFO reserve to income, it would negatively affect our cash flow, our borrowing base with our bank, potentially our compliance with loan covenants, and perhaps most significantly our ability to provide commitments to either suppliers or customers in anything but the shortest terms. In other words, it would make the owners hold their cards more tightly to their vests, and thereby depress the growth potential of our business. Also, since our customers are ultimately construction contractors and builders, market price volatility would pass through to them much more severely, because we would lose many of our competitive advantages that allow us to make longer term commitments to them. Ultimately, LIFO provides a buffer against price volatility, not only for our company, but for all companies who use it. Without this buffer, we would have much more difficulty budgeting sales and profits, particularly in periods of volatility such as the one we are in now. In a period of rapid price deflation in steel, if and when it comes, the impact would be very damaging to our currently very strong company. LIFO helps us adjust to these market shifts more smoothly. In fact, eliminating LIFO would amplify the volatility.

DEVASTATING...WE ARE ON THE THIN LINE AS IT IS DUE TO THE ECONOMY HERE. WE WOULD PROBABLY NOT BE ABLE TO STAY IN BUSINESS

Repeal would have a detrimental impact on our company's ability to continue in business based on the razor thin margins we are currently trying to survive on in this industry. The real loss of revenues would be the loss of taxes currently being paid by the more than 300 employees who will be put back on unemployment line.

The loss of the use of the LIFO method is going cost our company cash and that cash will have to be funded with the reductions in other expenditures. That will mean either lower levels of capital will be available for investment, or we will reduce the work force, or both. As a distributor, wages make up our second largest expenditure behind product cost. In addition to potentially reducing current employment levels, the loss of LIFO will reduce future job growth since the incremental LIFO benefit helps to fund those new jobs. We currently have LIFO reserves of over $30 million, and our annual incremental benefit is approaching $5 million. That is the equivalent of 50 $100,000 jobs from just the annual benefit.

It would stop us from growing this year and retard or eliminate our growth significantly in the future. We are now contemplating a budget for next year which includes added payroll for our small community of about $500,000 and a $4,000,000 building project. Those things would have to be put on indefinite hold, possibly inducing a downward spiral for our family owned company and its 90 employees.

It would be devastating, as the reduction in earnings would impact our 400 employees, and it would prohibit us from investing and adding new employees at the rate we have over the past 5 years. In addition, it would not allow us to inventory as much product, and it would affect the service levels we offer our customers and possibly affect the overall health of our business, and thus slow our growth.

Paying taxes on over 1,000,000 of LIFO researve. We haven't made enough money in the last 3 years combined to pay them.

We are a company that must reinvest all of the positive cash flows to expend our business. Some of our projects will be cancelled. In addition i am getting really fed up with the constant changes, how am i supposed to plan anything with the absolute insanity that is going on back there. It is impossible to plan long term for anything.

Our company is an ESOP. We have been using LIFO for approximately 30 years. If the repeal of LIFO escalated our "deferred tax liability", it would bankrupt the company.

We would have a roughly $12 million tax liability immediately which would represent about 20% of our FIFO net worth. This would cripple us as far as the hiring and expansion plans we currently have and create an impairment for years afterwards until we could recover. We are planning on adding approximately 200 jobs in the next year to our existing 650. So we are planning major expansion for our size. Additionally distribution jobs within our industry are not easily moved overseas! They are good paying jobs with benefits for Americans right here in the U.S.A.

We would take a substantial loss of earnings. This would force a stop to any further job creation in our 13 Western state egion. The net effect will be extremely detrimental to our company and it's economic future.

We have used LIFO since the early 80's and have built up a substantial LIFO reserve due to significant cost increases during this time. If use of LIFO were to be ended, we would be faced with a significant tax hit that could severely injure our company's ability to operate. I would likely have to cut back operations and definitely have to cut personnel.

Higher taxes on a privately held family business that employs 400 workers in rural county.

VERY NEGATIVE. OUR INVENTORY WOULD RAPIDLY INCREASE IN VALUE, ESPECIALLY WITH THE CURRENT STEEP COMMODITY PRICE ESCALATION (COPPER, ZINC, ETC.) WHICH WOULD PLACE A SIGNIFICANTLY INCREASED TAX LIABILITY ON OUR COMPANY. THIS WOULD LIMIT OUR ABILITY TO EXPAND AND ADD JOBS.