



April 20, 2009

Florence E. Harmon  
Acting Secretary  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-1090

***RE: File Number S7-27-08, Comments with Respect to Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers***

Dear Madam:

These comments are being submitted on behalf of the National Association of Wholesaler-Distributors (“NAW”) in response to the Commission’s proposal to provide a Roadmap for the Potential use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers (hereinafter “Roadmap”).

Our comments concerning the Roadmap are confined to the potential impact of the adoption of the Roadmap on NAW’s members’ use of the LIFO inventory method for tax and financial reporting purposes. In that regard, NAW is a founding member of The LIFO Coalition. As you are aware, on February 18, 2009, The LIFO Coalition submitted comments to the SEC discussing the potential impact of the adoption of the Roadmap on companies’ use of the LIFO inventory method. We wholeheartedly endorse The LIFO Coalition’s comments and wish to associate NAW fully with those comments.

Accordingly, our purpose in submitting these comments is to complement and supplement The LIFO Coalition’s comprehensive comments by focusing on the practical impact that the adoption of IFRS would have on all of the members of our industry that use the LIFO method to value their inventories. This impact would include not only those members of our industry that are large, publicly-held companies that are subject to the Commission’s jurisdiction, but also privately-held companies that are very frequently small businesses.

Consistent with the position adopted by The LIFO Coalition, we take no position on the merits or lack thereof on the decision to move U.S. financial reporting standards to IFRS. There are arguments on both sides of this issue, as Chairwoman Schapiro has recently observed. Our focus instead is strictly on the draconian impact that the adoption of IFRS will have on firms in our industry that use the LIFO inventory method, absent action to change the so-called LIFO conformity requirement.

**NATIONAL ASSOCIATION OF WHOLESALER-DISTRIBUTORS**

1325 G Street N.W., Suite 1000, Washington, DC 20005 • 202-872-0885 • FAX: 202-785-0586 • [www.naw.org](http://www.naw.org)

## **WHO IS THE NATIONAL ASSOCIATION OF WHOLESALER – DISTRIBUTORS?**

NAW is a trade association representing the entire wholesale distribution industry. Our membership consists of the 108 national and regional associations listed in Appendix I as well as companies which are direct members of our organization. Collectively, approximately 40,000 companies with approximately 260,000 places of business are involved in NAW, a significant number of which use the LIFO inventory method for both tax and financial reporting purposes.

We estimate that these companies account for approximately 60% of the \$4.5 trillion dollars in revenues the Census Bureau reports for merchant wholesaler-distributors for 2008.

## **WHAT FUNCTION DOES THE WHOLESALE DISTRIBUTION INDUSTRY PERFORM?**

Wholesaler-distributors are essential to our nation's supply chain. They acquire goods from manufacturers, take title and physical possession of the goods, and warehouse the goods until they are needed by the industry's customers. The industry's customers consist of retailers, both commercial and institutional, as well as governmental users of the goods. By using wholesaler-distributors, these customers are able to obtain goods at precisely the time they need the goods, at the exact location that the goods are needed, and in the exact quantities that are needed.

Wholesaler-distributors are essential to the efficient performance of our economy.

There were approximately 340,000 merchant wholesaler distributor firms with 435,000 places of business according to the 2002 Census of Wholesale Trade. These firms are overwhelmingly privately-held, smaller businesses. Indeed, 230,000, or 68% of the firms classified as merchant wholesaler-distributors had annual sales of less than \$5,000,000 according to the 2002 Census.

As noted above, sales of wholesaler-distributors were \$4.5 trillion dollars in 2008. The wholesale distribution industry employs almost 6 million people according to the 2002 Census of Wholesale Trade. Typically, 40% of merchant wholesaler-distributors assets are in inventory. According to IRS Statistics of Income in 2002, average wholesaler-distributor after tax profit on sales was 2.4%.

## **WHAT IS NAW'S INTEREST IN THE COMMISSION'S ROADMAP?**

Under IFRS, the use of the LIFO inventory method is prohibited for financial reporting purposes. Thus, if IFRS were adopted in the U.S., the use of LIFO would no longer be permitted for financial reporting purposes. However, the Internal Revenue Code requires firms using the LIFO inventory method for federal income tax purposes to also use that method for financial reporting purposes (the so-called "LIFO conformity requirement"). If not resolved, this conflict between IFRS reporting rules and the statutory requirements for the use of LIFO for tax purposes will directly affect publicly-held wholesaler-distributors as soon as IFRS is mandated by the SEC.

Privately-held wholesaler-distributors would inevitably be impacted as well, even though privately-held wholesaler-distributors are not subject to the SEC's jurisdiction. This impact will occur because the SEC's reporting rules directly influence generally accepted accounting principles in the U.S. Moreover, the imposition of IFRS on SEC registrants will lead other authorities, such as lending institutions and other users of financial statements – such as suppliers who extend credit to wholesaler-distributors to finance their inventory purchases – to require wholesaler-distributors to use IFRS as a condition of doing business.

While it is difficult to precisely quantify the impact of a prohibition against the use of LIFO on wholesaler-distributors based on the amount of inventory held by wholesaler-distributors which is valued on the LIFO method, a March 30, 2009 article in TAX NOTES authored by Matthew J. Knittel, a financial economist in the Office of Tax Analysis of the Department of the Treasury, is instructive. In his article, Mr. Knittel estimates that 79% of the inventory of wholesaler-distributors using LIFO is classified under LIFO and this amount represents 20% of the industry's total inventory. Based on Mr. Knittel's analysis, over \$80 billion in inventory held by wholesaler-distributors with inventories of more than \$1 million is valued using LIFO. (His data only covers firms with more than \$1 million in inventory. The total for the industry would, of course, be even larger when wholesaler-distributors with less than \$1 million in inventory are added in.)

### **WHAT WOULD BE THE IMPACT OF THE ADOPTION OF IFRS ON WHOLESALER-DISTRIBUTORS WHO UTILIZE LIFO?**

The effective repeal of LIFO due to the adoption of IFRS for U.S. financial reporting, without modification of the LIFO conformity requirement, would be devastating to the affected firms, starting with the publicly-held firms subject to the Commission's jurisdiction. These companies are the largest members of our industry and they have the largest inventories. For the reasons noted above, all wholesaler-distributors – regardless of size or ownership profile – would ultimately be affected. This would create a tax liability posing an enormous burden on affected companies. For some companies, the taxes due would be far in excess of their net worth.

Attached as Appendix II are verbatim comments received from our members in response to a 2006 proposal in Congress to repeal LIFO. The first set of comments, Part A, was submitted in response to the legislative proposal to use repeal of LIFO as a revenue source to "offset" a gas tax rebate; the second set, Part B, was submitted shortly thereafter. Even a cursory review of these comments shows that the impact would be profound and highly negative. Our members' comments make it clear that the impact of the repeal of LIFO for tax purposes would be a very real one affecting already razor-thin profit margins, adequacy of capital, and employment. In more than a few isolated cases, it would cause some firms to be forced to liquidate.

## **WHAT ACTIONS ARE AVAILABLE TO THE COMMISSION?**

As you know, the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA) requires that the Commission make a determination whether or not a proposed rule is considered to have a “major” impact on small businesses. The tests to be applied under SBREFA are whether, if adopted, the rule results, or is likely to result, in:

1. An annual effect on the economy of \$100 million or more;
2. A major increase in costs or prices for consumers or individual industries; or
3. Significant adverse impacts on competition, investment, or innovation.

We respectfully submit that the information presented above clearly demonstrates that the SBEFRA thresholds are exceeded just by considering the impact of the adoption of IFRS on our industry alone, without resolving the LIFO conformity problem. While we don't presume to speak for other sectors of the economy, we believe that an equally compelling case can be made by the retailing and manufacturing sectors.

In view of both the SBEFRA analysis and a general sense of fairness based on the common sense principle that citizens or businesses should not suffer adverse consequence when the rules and regulations of two different enforcement arms of the Federal Government impose directly conflicting requirements, we respectfully urge the Commission to resolve this matter prior to adopting the Roadmap. In The LIFO Coalition's submission to the Commission of February 18<sup>th</sup>, The LIFO Coalition explained the options which are available to the Commission and the Treasury Department in order to avoid the conflict between SEC reporting rules and Federal income tax requirements. For ease of reference, we repeat The LIFO Coalition's suggestions below:

### ***What Actions Could the Commission Take to Ameliorate the Potential Adverse Effects from the Adoption of IFRS on the Use of the LIFO Method for Federal Income Tax Purposes?***

*There are a number of possible actions that the Commission could take, in concert with the Treasury Department, to eliminate the adverse effects on the use of the LIFO inventory method for federal income tax purposes resulting from the adoption of IFRS for financial reporting.*

*In the past, on several occasions, the Commission and other federal regulatory agencies have imposed various financial reporting requirements on companies which have conflicted with the LIFO conformity requirement and posed the risk that a company's compliance with the agency's financial reporting requirements would violate the LIFO conformity requirement in the tax law. For example, in the year of a company's adoption of the LIFO inventory method,*

*financial statement disclosures required by the Commission would have resulted in the company violating the LIFO conformity requirement, but the Internal Revenue Service (“IRS”) excused the violation in order not to create a conflict with the reporting requirements of another Federal agency. See, e.g., Rev. Proc. 77-33, 1977-2 C.B. 542, amplifying Rev. Proc. 75-10, 1975-1 C.B. 651, revoking Rev. Rul. 74-586, 1974-2 C.B. 156, declared obsolete by Rev. Proc. 88-19, 1988-1 C.B. 695. Similarly, compliance with requirements by the Commission that companies disclose in their financial statements the effect on income of valuing their inventory at replacement cost would have violated the LIFO conformity requirement, but the IRS excused the violation. See Rev. Proc. 77-7, 1977-1 C.B. 540. Also, in the past, compliance with financial reporting requirements imposed on companies adopting the LIFO inventory method by the Federal Trade Commission violated the LIFO conformity requirement, but the IRS excused the violation. See Rev. Proc. 75-30, 1975-1 C.B. 756.*

*On the basis of these past precedents, one action the Commission could take would be to meet with the Treasury Department and IRS and urge them to issue an administrative pronouncement excusing any violation of the LIFO conformity requirement caused by compliance with the Commission’s IFRS reporting requirements.*

*A second possible approach would be for the Commission to approach the Treasury Department about modifying its income tax regulations relating to the LIFO conformity requirement (Treas. Reg. § 1.472-2(e)), so as to permit companies to continue to use the LIFO method for federal income tax purposes notwithstanding that the company’s primary financial statements are issued in compliance with IFRS, provided the company also reports its results in those financial statements on a LIFO basis by including the information in a footnote to the financial statements.*

*As a result of regulations issued in 1981 (Treas. Reg. § 1.472-2(e)(3)), a company is held not to be in violation of the LIFO conformity requirement as long as its primary financial statements are issued on a LIFO basis. Thus, a company may report non-LIFO information in footnotes or in supplementary reports without violating the LIFO conformity requirement provided the primary financial statement information is reported on a LIFO basis. Obviously, compliance with IFRS would violate this requirement. However, the Treasury could reverse the foregoing presumption in the regulations and reissue the regulations so as to permit primary reporting of non-LIFO information, provided that supplementary reporting of LIFO information is provided in footnotes to the primary financial statements.*

*One obvious question would be whether the Treasury Department possesses the requisite authority to adopt either of the foregoing suggestions. The LIFO Coalition contends that the Treasury Department has broad authority to adopt these types of policies. This authority derives from the statute itself, as well as the legislative history accompanying the original enactment of the LIFO method in 1939.*

*In the current income tax statute, as well as in all predecessors to the current statute, it states:*

*A taxpayer may use the method [the LIFO method] provided in subsection (b) (whether or not such method has been prescribed under section 471) in inventorying goods specified in the application of such method . . . .*

*I.R.C. § 472(a) (Emphasis added).*

*The legislative history accompanying the original 1939 statute in which the LIFO method was first authorized by Congress states:*

*Under section 22(c) [the predecessor to section 471 under the present Internal Revenue Code], the Commissioner has the power to prescribe the method [LIFO], and section 219 of the bill reaffirms the power.*

*S. Rep. No. 648, 76<sup>th</sup> Cong., 1<sup>st</sup> Sess, 6 (1939).*

*The background for this delegation of power to the Treasury Department derives from the fact that, in Section 22(c) of the Internal Revenue Code of 1939 (the predecessor to Section 471 of the present Internal Revenue Code), Congress did not prescribe which particular inventory valuation methods would be permissible for federal income tax purposes. Instead, Congress delegated the authority to prescribe which inventory valuation methods are permissible to the Treasury Department. The Treasury Department implemented this delegation of authority through the issuance of regulations.*

*However, at the time of enactment of the Internal Revenue Code of 1939, the LIFO method was relatively new and was not commonly used by companies. As a result, the Treasury Department opposed the use of such method for federal income tax purposes. In the 1939 statute, Congress overrode the Treasury Department's opposition to the use of the LIFO method for federal income tax purposes by expressly authorizing the use of the LIFO method in its own separate Code section. However, the statute and legislative history quoted above indicate that, if the Treasury Department's opposition to the use of LIFO for federal income tax purposes dissipates and LIFO becomes a generally accepted inventory valuation method, Congress intended to preserve the Treasury Department's authority to prescribe the use of the LIFO method for federal income tax purposes under the general inventory provisions in the Internal Revenue Code. This would mean that the Treasury Department could modify, or even completely eliminate, the existing financial reporting conformity requirement for users of the LIFO inventory method in Section 472 of the Internal Revenue Code, as such requirement does not now apply to inventory valuation methods other than LIFO that are employed for federal income tax purposes.*

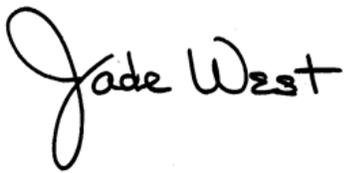
*April 20, 2009*

*Page 7*

*Based on the foregoing, The LIFO Coalition submits that the Treasury Department has considerable latitude to accommodate any financial reporting requirements imposed on U.S. issuers of financial statements subject to the jurisdiction of the Commission without such requirements causing the termination of companies' LIFO inventory methods for federal income tax purposes. Accordingly, The LIFO Coalition urges the Commission to proactively discuss this problem with the Treasury Department in an attempt to reach an accommodation that does not result in the termination of the use of the LIFO method for federal income tax purposes.*

In conclusion, before the SEC takes action on its Roadmap, we urge the Commission to resolve the LIFO conformity problem.

Sincerely yours,

A handwritten signature in black ink that reads "Jade West". The signature is written in a cursive, flowing style.

Jade West  
Senior Vice President-Government Relations

Attachments:

*Appendix I: NAW Member Associations*

*Appendix II: NAW Member Comments*

## Appendix I (Part 1 of 2)



# National Association of Wholesaler-Distributors Member National Associations

American Machine Tool Distributors' Association.....	AMTDA	National Association of Chemical Distributors.....	NACD
American Nursery & Landscape Association .....	ANLA	National Association of Electrical Distributors.....	NAED
American Supply Association .....	ASA	National Association of Flour Distributors, Inc. ....	NAFD
American Veterinary Distributors Association .....	AVDA	National Association of Sign Supply Distributors .....	NASSD
American Wholesale Marketers Association .....	AWMA	National Association of Sporting Goods Wholesalers .....	NASGW
Appliance Parts Distributors Association, Inc. ....	APDA	National Beer Wholesalers Association.....	NBWA
Associated Equipment Distributors .....	AED	National Fastener Distributors Association.....	NFDA
Association for High Technology Distribution .....	AHTD	National Grocers Association.....	NGA
Association for Hose & Accessories Distribution .....	NAHAD	National Insulation Association.....	NIA
Association of Millwork Distributors .....	AMD	National Marine Distributors Association.....	NMDA
Association of Pool & Spa Professionals (The) .....	APSP	National Poultry & Food Distributors Association .....	NPFDA
Association of Woodworking & Furnishings Suppliers .....	AWFS	National School Supply & Equipment Association .....	NSSEA
Automotive Aftermarket Industry Association .....	AAIA	National Wood Flooring Association .....	NWFA
		North American Association of Floor Covering Distributors.....	NAFCD
		North American Association of Uniform Manufacturers & Distributors.....	NAUMD
Bearing Specialists Association.....	BSA	North American Association of Utility Distributors .....	NAAUD
Bicycle Product Suppliers Association .....	BPSA	North American Building Material Distribution Association.....	NBMDA
Business Solutions Association .....	BSOL	North American Horticultural Supply Association .....	NAHSA
		North American Wholesale Lumber Association, Inc.....	NAWLA
		NPES The Association for Suppliers of Printing, Publishing & Converting Technologies.....	NPES
		NPTA Alliance.....	NPTA
		Optical Laboratories Association.....	OLA
		Outdoor Power Equipment Aftermarket Association.....	OPEAA
		Outdoor Power Equipment & Engine Service Association Inc .....	OPEESA
		Pet Industry Distributors Association .....	PIDA
		Petroleum Equipment Institute .....	PEI
		Power Transmission Distributors Association, Inc. ....	PTDA
		Professional Beauty Association .....	PBA
		Recreational Vehicle Aftermarket Association .....	RVAA
		Safety Equipment Distributors Association, Inc. ....	SEDA
		Security Hardware Distributors Association.....	SHDA
		Souvenir Wholesale Distributors Association.....	SWDA
		Textile Care Allied Trades Association .....	TCATA
		United Producers, Formulators & Distributors Association.....	UPFDA
		Water and Sewer Distributors of America .....	WASDA
		Wholesale Florist & Florist Supplier Association.....	WF&FSA
		Wine & Spirits Wholesalers of America, Inc.....	WSWA
		Woodworking Machinery Industry Association .....	WMIA
American Machine Tool Distributors' Association.....	AMTDA		
American Nursery & Landscape Association .....	ANLA		
American Supply Association .....	ASA		
American Veterinary Distributors Association .....	AVDA		
American Wholesale Marketers Association .....	AWMA		
Appliance Parts Distributors Association, Inc. ....	APDA		
Associated Equipment Distributors .....	AED		
Association for High Technology Distribution .....	AHTD		
Association for Hose & Accessories Distribution .....	NAHAD		
Association of Millwork Distributors .....	AMD		
Association of Pool & Spa Professionals (The) .....	APSP		
Association of Woodworking & Furnishings Suppliers .....	AWFS		
Automotive Aftermarket Industry Association .....	AAIA		
Bearing Specialists Association.....	BSA		
Bicycle Product Suppliers Association .....	BPSA		
Business Solutions Association .....	BSOL		
Ceramic Tile Distributors Association.....	CTDA		
Commercial Vehicle Solutions Network .....	CVSN		
Copper & Brass Servicenter Association .....	CBSA		
Door & Hardware Institute.....	DHI		
Electrical Apparatus Service Association, Inc. ....	EASA		
Fluid Power Distributors Association, Inc. ....	FPDA		
Food Industry Suppliers Association .....	FISA		
Foodservice Equipment Distributors Association .....	FEDA		
FPDA Motion & Control Network.....	FPDA		
Gases and Welding Distributors Association.....	GAWDA		
Global Market Development Center.....	GMDC		
Health Industry Distributors Association.....	HIDA		
Healthcare Distribution Management Association.....	HDMA		
Heating, Airconditioning & Refrigeration Distributors International .....	HARDI		
Independent Distributor Association .....	IDA		
Industrial Compressor Distributor Association.....	ICDA		
Industrial Supply Association .....	ISA		
International Association of Plastics Distribution .....	IAPD		
International Foodservice Distributors Association .....	IFDA		
International Sanitary Supply Association .....	ISSA		
International Sealing Distribution Association .....	ISD		
International Truck Parts Association.....	ITPA		
Irrigation Association (The) .....	IA		
Lawn & Garden Marketing & Distribution Association .....	LGMDA		
Machinery Dealers National Association.....	MDNA		
Material Handling Equipment Distributors Association .....	MHEDA		
Metals Service Center Institute.....	MSCI		
Motorcycle Industry Council.....	MIC		
Music Distributors Association .....	MDA		

## Appendix I (Part 2 of 2)



## National Association of Wholesaler-Distributors Member Associate Associations

Associated Beer Distributors of Illinois.....	ABDI	Midwest Distributors Association .....	MDA
Association of Ingersoll-Rand Distributors .....	AIRD	Mississippi Malt Beverage Association.....	MMBA
Association of Service & Computer Dealers International.....	ASCD		
		National Convenience Stores Distributors Association .....	NACDA
California Beer & Beverage Distributors.....	CBBD	New York State Beer Wholesalers Association .....	NYSBW
Canadian Association for Pharmacy Distribution Management .....	CAPDM	North-American Association of Telecommunications Dealers .....	NATD
Canadian Institute of Plumbing & Heating.....	CIPH	North Central Wholesalers Association.....	NCWA
Electro-Federation Canada, Inc. ....	EFC	Ohio Association of Wholesaler-Distributors.....	OAWD
Greater North Dakota Chamber of Commerce .....	NDCC		
		Pacific Southwest Distributors Association.....	PSDA
Los Angeles Fastener Association .....	Lafa	Southern Wholesalers Association .....	SWA
Maryland Association of Wholesaler- Distributors, Inc. ....	MAW	Western Association of Fastener Distributors .....	WAFD
Michigan Distributors & Vendors Association.....	MDVA	Western Suppliers Association .....	WSA
		Wholesale Beer Distributors of Texas .....	WBDT
		Wholesale Beer & Wine Association of Ohio ....	WBWAO
		Wholesalers Association of the Northeast .....	WANE

## Appendix II (Part A)

### WHOLESALE-DISTRIBUTOR COMMENTS ON LIFO REPEAL PROPOSAL

(These email comments are unedited except for removal of language that would identify the company.)

*Received April 28 – May 10, 2006 in response to gas tax proposal*

We are very much against this as you would imagine. Our tax rate is already above 40% and this would dramatically increase it, especially during these inflationary times.

20% of the price of a gallon of gasoline is tax which means the government is already getting a windfall right along with the oil companies, who they happen to be criticizing for the same thing. Why don't they capture some of that to pay for the "pennies" they are looking to provide to the consumers.

I see this as an election year ploy. It's not about what is good for the country, it is all about their needs. Where have they been for the past 30 years. This has been an ongoing problem, exacerbated by our Middle East politics.

I am very much concerned with this entire administration and the lack of leadership and understanding of the issues and the solutions being recommended. From Iraq, to Sarbanes-Oxley, to medical reform, to pension reform and now to a knee jerk reaction on LIFO which has been in place at least in our company since the early 80's.

.....

That's about the dumbest, most irrational move without any economic sense. Wow. All for a tank and half of gas???? Just please tell me [my senator] did not vote for this.

In our company, we do not use LIFO because of the constant changing nature of the products that we sell. However, there are very legitimate economic as well as tax reasons for electing LIFO not least of which are inflation issues. In any case, I would expect that there are a number of wholesalers particularly in the commodity trades that have built up enormous LIFO reserves and for which it is very important. Wow. This is really stupid!

.....

Most of our inventory is accounted for under the LIFO method. We currently have a \$15M LIFO reserve on a \$75M pre lifo reserve inventory valuation. If I read the attachment correctly, we would have to bring that \$15M into income over the next 20 years. That would have significant taxable income impact on our Company.

.....

This would have a huge impact on our company (to the bad) - we currently have several million in LIFO reserves, a large portion which has accrued during the last few years of large price increases. I agree this is the most ridiculous thing I have seen our Congress do lately (and that takes some doing) - how can we fight this thing?

Yes this will have a negative impact on our Company. Our LIFO reserve is in excess of \$200K.

The repeal of LIFO accounting will have a significant detrimental effect on my wholesale distribution company.

We have been using LIFO since 1974. It is a useful and fair accounting method that immunizes us from paying corporate income tax on the 'profit' that is created only on the inflation of inventory value. This is 'profit' that we cannot spend or take to the bank.

Our current LIFO reserve is at \$491,455. If LIFO is repealed then we would have to declare that all as income and pay corporate taxes on it. Even with the provision that we would have 20 years to pay it back, it is still a significant hardship.

Equally significant is that if LIFO is repealed, the \$491,455 would then generate a deferred tax liability on my balance sheet. That would then reduce the value of my company. Everything from valuation for sale to loan covenant ratios could be negatively affected.

We need a full court press to fight for the retention of LIFO and not throw it away for a silly grandstanding \$100 one time payment.

[We] use the LIFO method of inventory accounting. Our current LIFO reserve is approximately \$4.250 million. Using a rough tax percentage of 38%, the impact of repealing LIFO would add an additional tax burden of \$1.615 million dollars to [our] tax amount.

This would have a negative impact on our company but I am more concerned by their reasoning behind it. They will take money from me to buy votes. That is wrong and is indicative of the reactionary shortsighted politics that is often displayed in Washington.

A repeal of LIFO would mean millions of dollars MORE in taxable income to any of us on the LIFO method of stating our inventories. This is a huge impact on our bottom lines and would mean we would have to pay thousands more in taxes.

Let's get to our Senators, and you can tell my Senators: \*\*\*\*\* and \*\*\*\*\*, that they must be smoking something and have not checked with us out here.

We have built up a large LIFO reserve over the past 25 plus years and repeal of the LIFO method of inventory valuation would have a significant negative impact on our company. The income taxes related to such an appeal would cost our mid-sized company hundreds of thousands of dollars.

We currently use the LIFO method for inventory valuation. Our LIFO reserve exceeds 20% of our FIFO inventory value. The repeal of LIFO would negatively impact on our company to a significant degree.

Our company is presently on the LIFO inventory method of calculation and we have been for over 30 years. Repeal of this method would result in substantial additional tax this year and would adversely affect our company in an already down economy here.

Yes our company is on the LIFO method of inventory valuation. It has helped us tremendously, especially in the past few year with the unprecedented pace of price inflation in commodity and chemical related products in our industry that have been driven up by unprecented global demand from countries like India and China.

We have taken in over \$2.8MM into our reserve in the last two years. This has helped us invest back into our business as we have been growing at a double digit pace for the last few years. This, in turn, allows us to continue to hire new people and offer above the average rate of inflation wage increases.

Please do whatever you can to get this taken out of the bill! It has nothing to do with helping consumers at the pump. It will only hurt businesses like ours!

We do not use that form in our accounting. We do strongly oppose such trick legalstion. This will not solve the problem.

It will effect a lot of our firm's clients, that is for sure.

Yes, we use LIFO, and have 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. (The proposal calls for a 20-year amortization of this amount as we read it, so the \$12 million would not result in immediate negative cash flow to the full extent of the change. It would cost us \$600,000 each year.) However, 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. Somehow I think the jobs are more valuable than a one-time \$100 bill in an unemployed person's pocket.

This is an asinine, knee-jerk, political reaction. It is not dealing with the issue. People are paying more for gas, and maybe we should just like the remainder of the world has done for years. But I haven't heard of one person who has reduced the amount they drive, or now car-pools, or now uses more public transportation, or sold their gas-guzzling SUV. The politicians are reacting to whining as opposed to real hardship. Let's deal with the real problems with real solutions in legislating, and not a hollow, feel-good response that moves our economy backward.

Repeal of LIFO would significantly affect [our company]. We adopted LIFO a couple of years ago.

Repeal will not effect [our company], but you should contact \*\*\*\*\* It will effect them materially

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.

Yes, this would have a huge impact on us. Our current Lifo reserve is approx \$144 million. The tax impact at a 40% tax rate is \$57 million. This would be an enormous burden.

[We] first adopted LIFO accounting for inventory valuation purposes in 1974, and the company continues to utilize the LIFO method today. This would have adverse impact on the company in two ways. The first effect would be the income tax due and payable on the LIFO reserve recapture, payable over the next 20 years. The second effect would be to accelerate income in years of high inflation and skyrocketing raw materials costs. For the past three years our industry has been hit by uncontrolled price increases in copper, steel, aluminum, zinc and PVC based commodity items. Repeal of LIFO tax accounting would penalize wholesalers and distributors unfairly, because nearly half of the typical distributor's assets is represented by inventory. Please do all you can to block this pending legislation.

Clearly bad policy for [our] members and we will make sure our members are aware of it and forward any info we get from them to NAW.

Our LIFO reserve as of 12/31/06 is \$692,309.00. We do NOT want to have to recognize this as income as this accounting change will do nothing to resolve the problem of rising fuel prices.

This will not effect us, but it is a bad plan. Thanks for speaking for all of us. It's way too political.

[Our company] is very interested in maintaining LIFO accounting/tax rules as they now exist. [We] are a steel and aluminum distributor and LIFO has been the preferred method of cost accounting in the service center industry for many years. Investors look for the more consistent and conservative gross margins from LIFO, rather than FIFO, in times of inflation (such as the past three years for metals pricing ). "Spikes" in profitability from inventory holding gains due to inflation provide an unrealistic picture of sustainable profitability for investors in our industry.

[We do] not value inventory using the LIFO method and thus the insane legislation will not affect us directly, but will affect us indirectly as the manufacturers we are franchised with will get hit twice (high energy costs and higher taxes due to inventory valuation.)

[We] have developed an incentive plan that will reward employees with perfect attendance each quarter with a gas card. I don't want the Fed govt involved!

Can't open the attachment, but an elimination of LIFO would have horrific consequences for the steel distribution business.

[We do] not use the LIFO method for inventory so the bill would have no impact on our operations. [But] the \$100 fuel credit appears to be a foolish attempt at dealing with an issue that will not be going away! What does that equate to...a week of gas purchases for the average American family!

Thank you for the heads-up on this. Please note that this would have a significant impact on [our] Company. Our LIFO reserve saves the shareholders approx \$175k in taxes per year.

I would appreciate it if you could continue to provide us with information on this as it progresses.

[My company] is adamantly opposed to any alteration of the LIFO inventory reserve method that would cause it to be repealed. The economic impact would decrease cash with no source of funds to pay the tax that would be due. Congress has already negated some of the benefit of LIFO inventory a few years ago when they adopted the 263A UNICAP inventory valuation. This added \$ to inventory and decreased cost of sales thereby increasing taxable income.

LIFO inventory is not an area to 'find \$' for our government to then pass along a very minimal tax relief for certain consumers of fuels. This will not spur any investment nor prompt any spending that will have a long term affect upon our economy.

We, as wholesale distributors, have already paid the price for rising energy costs in our own operating expenses. How can anyone ask us to pay even more with a 'knee jerk' proposal as the repeal of LIFO inventory methodology.

We stand united with our fellow distributors.

We have just ended our fiscal year audit and based on the reserve on our books the impact would be approximately \$ 9.5 mil in additional taxes due if they were to repeal all in the first year. This amount would wipe out our net income for the year. The bill could conceivably drive companies out of business.

This would take just under a million bucks out of my pocket and involuntarily give \$100 to many Americans to compensate for high gas prices. Let's remember that the EPA mandated the use of ethanol (goes into effect this year) instead of MTBE for use in making "summer blend" fuels. Let's change the current STATE smog laws, that today have given our country over 80 DIFFERENT fuel blends. EPA should take over the issue and create THREE blends (ask the right industry experts) and retail gas prices would drop 50 to 75 cents. Without huge detail the numbers are from my friends in the oil industry (they boast a number as high as a dollar a gallon). President Bush could do so much good by making this change in smog laws. This would be a great legacy to leave us and future generations. I have already called Senator [\*\*\*\*] office and will also call Senator [\*\*\*\*] too. Thank you for bring this costly issue to my attention.

Regarding your fax dated April 28, 2006, the repeal of LIFO would cause our largest subsidiary to include approximately \$13.5 million as taxable income and owe taxes of approximately \$5.4 million. This would create a significant negative financial burden on our company.

An immediate repeal would result in taxation of \$33.9mm in current total reserves at the highest federal rate of 35% and combined state rates of approx 8% or \$14.6mm. The proposed legislation you forwarded allows a 481 adjustment or phase-in over 20 years. Please keep this numbers confidential. Obviously this legislation would be viewed negatively by our organization.

Although we are no longer using LIFO, we have in the past and would be opposed to it's cancellation as an accounting option. We used it to offset some of the impact of inflation. With the uncertainty caused by the growing energy crises we may very well be subjected to hyper inflation that would force us to adopt LIFO.

That said I think this \$100 refund looks like an act of desperation and the amount would be fairly inconsequential to the recipients=something of a joke!

The repeal of the LIFO method for inventory valuation would not affect [us] as we use another inventory method. However, I can see how it would effect others and agree this is not a wise move.

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.

The impact would be aprox \$2,500,000 in taxes extra next year.

The LIFO method of accounting for tax creates value for [our] shareholders by eliminating an onerous tax on "paper profits". This provision of the code saved [us] approximately \$9 million in taxes last year. We used these saving (plus other earnings) to help fund our employees retirement accounts. Losing this provision would be a significant set back to our employees and shareholders. Please call me if you have any questions.

Our LIFO Reserve is \$30,000,000, so the repeal would have a dramatic impact on our tax liability.

Repealing LIFO would have a tremendous negative impact on our company. We currently have a LIFO reserve of over \$2.4 million. Our typical year's taxable income is \$7 to \$8 million, so our taxes would go up over 30%!

Many thanks for the information on the proposed Senate action on LIFO. America wants a plan and Congress answers with a \$100 tax credit. The Washington disconnect continues. [Tax accountant] handles our tax matters and I have asked them to provide you with our response.

Not only is the \$100 rebate idiotic (this equals just two tankfuls of gas) the connection to LIFO accounting is nonexistent. In our particular case we do not use LIFO accounting, so the proposal has no impact on us, beyond the general political implications of having our revenue base in a country governed by a group of incompetent idiots.

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!!!)

Thank you for your prompt distribution of this information. I can tell you in no uncertain terms that the repeal of LIFO would have disastrous ramifications on our company. A change of this nature would drastically increase our tax burden, and would cause significant strain on our business.

Furthermore, the impact on our customers would be equally or more 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.

I am disappointed to see the Senate acting in such an irresponsible manner. After the debacle of the section 201 action on steel, I would have thought the Republican Party had learned to consider the impact that their vote-buying and pandering has on the business community. Apparently that is not the case.

Please continue to include me on future mailings.

We have a \$4,000,000 Lifo Reserve and Add about \$300,000 every year. To say this is not their finest hour is a gross understatement!

The repeal of the LIFO method of accounting would have an immediate and significant impact on our working capital, assuming a required conversion to the FIFO method (there is an assumption being made here that no other alternative inventory valuation method shall be available to our company). The 20 year amortization of the immediate impact is of no comfort. This should be opposed with all efforts.

Repeal of LIFO would not affect [my company] but I would not be supportive of such repeal.

Unbelievable! Fortunately this would have no direct impact on our Company. It may have unintended consequences elsewhere in the supply chain where there are companies using LIFO accounting.

Our LIFO reserve of \$4M, if we assume it was to become immediately taxable as income, would obviously represent a significant impact to the shareholders and result in a cash management issue for them. From a GAAP or financial statement perspective, this change to FIFO, while material, may actually be a more reflective representation of the makeup or character of our layers of inventory.

That said, we would still prefer to book a LIFO adjustment. If you were to value this, or any other company, LIFO acts somewhat as a mark-to-market mechanism, causing our inventory value to more closely resemble market value.

Please keep me informed.

My company has a LIFO reserve of over \$ 3 million therefore, deferring over \$ 1 million in income taxes. Paying that in one year would have a major impact on our business.

.....

The Senate proposal to eliminate the LIFO Method of Valuing Inventory to fund a consumer rebate for high gasoline prices unfairly targets Small Business for a tax increase. LIFO is generally not favored by most publicly traded companies. LIFO has the effect of removing inventory inflation from the Profit and Loss Statements of the companies that use that method of inventory valuation. It doesn't take an Enron or a WorldCom to be motivated to show the highest possible income to the Wall Street analysts. When the overriding concern is one of meeting earnings estimates and reporting the highest possible earnings per share, as it is with public traded companies, what public company would want to trade higher share prices for prudent accounting techniques for inventory valuation? In Small Business, where earnings per share and impressing Wall Street analysts are not important to either serving the customer or meeting the payroll, LIFO provides a method for accurately reporting the performance of the company.

Last-In-First-Out hardly explains what LIFO is about. For those who would unwittingly use the repeal of LIFO as a funding tool, the concept behind LIFO requires some explanation: When over the course of the year, there are price increases for products that a company sells and holds in inventory, LIFO is used to accurately reflect the income earned by the company in the face of escalating prices for product held in stock. Without LIFO, this inventory inflation translates into "phantom income" that becomes taxed, just as if the company had really earned those dollars from operations, when in fact no such earnings exist in any form.

As a way of focusing on the effects of LIFO, take for example, a company that is just breaking even from its operations, but due to escalating prices, that company is showing taxable income, simply due to inventory inflation. Although breaking even is not a prescription for the long term health of any company, sometimes profitability can be elusive as the cost of doing business continually increases. Unlike, the energy industry, those cost increases cannot always be readily passed on in the form of price increases to the company's customers. Examples of such escalating costs: Increases in the price of fuel, increases in the cost of providing health insurance, increasing costs of steel or other materials used in the production of the product that the company sells, to name a few.

In this scenario, the example company had no earnings other than from inventory inflation. It just covered its costs (including wages, salaries, health insurance, etc.). Without going into the intricacies of the IRS mandated calculations for LIFO, suffice it to say that LIFO is a method of mitigating the effect of the "phantom income" to the Net Profit Before Taxes, and ultimately to the bottom line. It could be the difference between imagined income and a real loss.

It should be noted, that under LIFO, the tax liability does not go away, and in years when prices on products do go down,\* the dollars represented by inventory inflation in previous years, come back into income and the deferred tax liability comes due. LIFO is a way of smoothing out these fluctuations.

Regarding the Rebate: What will \$100.00 buy? Probably more gasoline, but not much. At \$3.00 per gallon, that's about 33 gallons, maybe about two fill-ups, or less. So what this amounts to is a transfer of funds, from Small Business to the global energy companies. Please explain to me why Small Business should be subsidizing the big energy companies. Why isn't Congress asking the energy companies to fund the rebate out of their outsized earnings?

While we are on this subject, what about doctors, lawyers, consultants, members of Congress and anyone else who does not carry inventory? Why aren't they being asked to participate in funding this rebate boondoggle? And finally, where is the Rebate for Small Business for the increasing fuel costs for its delivery vehicles, fork lifts, etc.?

There are numerous examples of how Congress has dreamed up ways for Small Business to have to add back to taxable income, dollars that have been spent as normal operating expenses. This proposal represents one more cost, imposed on Small Business by Congress. When yet another tax causes attrition in small business, most employees would prefer to keep their jobs rather than see their employers disappear. A \$100.00 rebate pales in comparison. This is just a variation on the taxation mentality that prevails when the government is already spending more that it takes in. Something that any business can ill afford to do.

\*(Price decreases are no longer uncommon in some areas of the economy due to competitive pressures and overcapacity, such as within the manufacturing sector due to a variety of factors, including offshore sourcing, outsourcing of jobs, etc.)

.....

Repeal of the LIFO method would have a significant adverse impact on our income tax provision / expense and resulting reported financial performance. On this basis and due to the lack of any correlation between this topic and the current energy crisis, we would oppose the proposed legislation.

.....

In response to your fax concerning the proposed repeal of the LIFO method for inventory valuation, we would be extremely opposed to this proposal. Our current LIFO reserve is over \$4.4 million. Thank you for the information.

.....

Based on my reading of the bill, the LIFO reserve should be taken into account over a 20 year time period. For [our companies] that reserve is roughly \$22.1 million. Therefore, taxable income would be increased about \$1.1 million over the next 20 years. Tax, assuming a 40% rate, would increase \$442,000 beginning in 2007 for the next 20 years. Any further concerns, let me know.

I wrote both [our senators] urging defeat of this bill.

.....

LIFO repeal would cost [us] \$1,465,000 I know, we talked about this last week, you have to love Washington!!!

.....

It most certainly will affect my business. It will force me to realize hundreds of thousand of dollars as income. This reserve has been building over many years and the tax burden would really hurt our business growth.

.....

Regarding your request concerning the proposal to repeal the LIFO method For inventory valuation to fund a gasoline rebate, [my company] currently uses the LIFO method for the majority of its inventories. If the FIFO method had been used for all inventories, our costs would have been approximately \$272.6 million higher than reported at December 31, 2005. This possible repeal of LIFO would place a significant burden on our Company. We appreciate the opportunity to respond and we look forward to a satisfactory resolution of this matter. If we can be of further assistance, please let us know.

.....

We are strongly against the repeal of the LIFO accounting method. Repeal of this accounting standard would significantly impact our taxable profit and our ability to grow. If we had to pay the taxes over a limited period of time on our reserve it would be a devastating cash burden.

.....

The repeal of LIFO would definitely impact our company. With a current reserve of \$540,000, I estimate it would cost our company approx. \$10,000 or more in additional taxes per year over the next 20 years - based on current and anticipated tax rates!!

.....  
"...not their finest hour..." is an understatement! What are they thinking?? Clearly we are opposed, and I'll try to get some quantification today. Kill this thing now! Good luck.

.....  
Yes, there would be a VERY significant negative impact.

.....  
The repeal of LIFO would have a very large impact on [our company]. The only thing that prevents the proposal from immediately placing [us] in violation of its debt covenants upon implementation is the proposal provision that spreads the impact of the repeal over a 20 year period. Thus, the tax impact to [our] shareholders would be \$2,275,000 per year for the next 20 years -- \$45,500,000 total.

I have copied NAW to provide them the relevant information.

Following are a few bullet points with the relevant info:

- [our company] is an S Corporation.
- [we have] 2 entities that are currently on LIFO and have LIFO layers that go back to 1947.
- [our] total Tax LIFO reserves at 12/31/2005 are \$112,000,000.
- The total Tax cost to [our] Shareholders of LIFO Repeal would be \$45,500,000.
- The per-year cost for the next 20 years would be \$2,275,000.

.....  
FYI---looks like many business people called their Congressman today!!!

.....  
We have a \$45 million LIFO reserve so however it is determined to bring that into income would result in an increased tax liability of this amount times the tax rate discounted for the time value of money. Clearly a significant impact.

.....  
Yes, the repeal of LIFO negatively impacts our company with additional taxes of \$ 166,000 as well as higher taxes in the future.

.....  
This provision unfairly targets our business and comes at a time when our business profitability is down due to employee benefits costs, fuel costs, energy as well as sales being flat and gross profit decreasing due to competitors pricing.

.....  
We have a LIFO reserve of approximately \$4,000,000. I'm sure you can do the math calculating the impact on our future federal tax liabilities

.....  
Gentlemen - yes, 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.

.....  
Repealing LIFO appears to me to be a knee jerk reaction which will cause more harm than good in the long run.

I am 100% opposed. Thank you for listening,

.....  
The repeal of the LIFO method of inventory valuation would be detrimental to my company. As a CPA with a Master of Science degree in Taxation and an MBA with a concentration in Finance, I fail to see any logic in any proposal to repeal the LIFO method of inventory valuation. If wiser minds do not prevail, then I would expect a long (10 year minimum) to increase income on any LIFO reserve reversal. Perhaps the number of years on LIFO could be used to amortize this income impact. Thanks for your alert on this,  
.....

This affects us dramatically. A \$100.00 credit on gasoline is ridiculous to begin with, but to put a burden on companies that are already struggling with high delivery costs is unreasonable. There are distributors that pay no income tax (subchapter S ESOP's). This would be a huge burden on us. Let me know how we can help.  
.....

Of course it effects those who really pay the taxes in this country. I'm afraid the Republican party has lost it's way in an attempt to be re-elected. So much for public servants. The result is that I personally have cut back on contribution to it's candidates. Frankly, I'm sick and tired of Politics.  
.....

Repeal of LIFO would have a negative impact on our company in a magnitude of approximately \$20 million.  
.....

thank you thank you thank you - the repeal would have been devastating for our company  
.....

Our LIFO reserve currently sits at close to \$40 million.  
.....

In response to your fax concerning the proposed repeal of the LIFO method for inventory valuation, we would be extremely opposed to this proposal. Our current LIFO reserve is over \$4.4 million. Thank you for the information.  
.....

It most certainly will affect my business. It will force me to realize hundreds of thousand of dollars as income. This reserve has been building over many years and the tax burden would really hurt our business growth.  
.....

Yes, any termination of LIFO would drastically impact our wholesale building supply distribution business. We have been under LIFO for over 18 years. The tax impact on our business would be monumental and disastrous. Clearly, whoever is proposing this is both business and tax stupid/ignorant—choose which one.  
.....

[Our companuy] has over 1 mill. Dollars in Lifo reserve. For a 12 Mill. \$ sales Co. over \$400,00 in taxes due is a lot of money. We just worked our way out of long term debt, due to estate tax laws.

**WHOLESALE-DISTRIBUTOR COMMENTS  
ON LIFO REPEAL PROPOSAL**

(These email comments are unedited except for removal of language that would identify the company.)

*Received May, 2006 in response to general LIFO repeal survey*

Over a million dollars in taxable income

.....  
We would have to pay taxes if we have to take our LIFO reserve into income. This would hamper growth and employment.

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

.....  
It would be very difficult to manage the value of our inventory. Repeal would add clerical and accounting cost to our business.

.....  
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.

.....  
An immediate repeal would severely impact the corporations reported earnings and inturn would substantially increase the amount of taxes owed. Since the company has been set up as a Sub S Corporation it would severely affect the owners and the corporations cash position.

.....  
Negative impact on our bottom line. Would not allow realistic accessment of how our business operates.

.....  
significant

\$1.2 million pre-tax

.....  
tremendous, debilitating taxes.

.....  
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.

.....  
It would cost us a significant amount and add tax burden to an already tight bottomline.

.....  
negative tax adjustment

.....  
Higher taxes mean less investment in growth oriented expenditures that create jobs.

.....  
LIFO Reserve is currently \$51,450. It sounds like a repeal would require us to pay tax on this amount. A repeal would affect our business goals in upcoming years

.....  
**SERIOUS TAX REPERCUSSIONS**

.....  
While we do not use LIFO, we fear that the increased uncertainty this kind of change creates will adversely affect our vendors who do use LIFO. Uncertainty generally equates to increased merchandise costs which we will ultimately have to pay. The end result we feel will be inflationary costs at a time our economy is least able to stand it.

.....  
It would cost us a significant amount of money and it is always a headache to change your accounting practices.

.....  
It would have a significant tax impact, likely forcing our company to delay some capital investment in plant and equipment upgrades.

.....  
One time income tax payable With appropriately structured payment schedule, the cash-flow impact would be manageable. If there is not a multi-year (up to 5) payment structure that allows for payment of the income taxes from the conversion to FIFO basis, then the cash-flow impact and commensurate debt financing could be crippling.

.....  
Repeal of LIFO would trigger an estimated \$250,000 - \$300,000 of taxable income for this company, which would result in additional Federal and state taxes of approximately \$100,000 - \$120,000.  
.....

Reduce our investment in new product lines and slow the growth of our company.  
.....

If LIFO is repealed it will cause a severe financial hardship. It will also significantly slow our growth and the ability to continuously add new jobs in our company.  
.....

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. At the very least it would cause our manufacturing companies be less competitive as we could not supply their needs as quickly. To pay the LIFO reserve on our books would cause a financial strain that would weaken our company and make us very vulnerable. This of course could cause a reduction of our work force.  
.....

I assume repeal would involve absorption of built up reserve into income over a specified period. Obviously, the result would be higher tax liability for that period, and higher income and tax liability for current and future periods in an environment of increasing prices.  
.....

It would be extremely damaging to our company and would likely result in lower employment and a necessary drop in the carrying of slower moving inventory that we currently keep as a way to compete against the national "big box" houses. In a low profit industry returning an industry average 1-1/2% - 2% of sales as a profit before taxes, with a heavy inventory requirement, the cash flow benefit that a lifo inventory method allows us, makes it possible for us to continue to invest in maintaining our item count of inventory even though item costs are rising. If we are forced in the future to pay taxes on this "artificial profit" since we have to necessarily replace the sold inventory, and it typically costs us more than what we sold, we may not be a viable entity in the long run.  
.....

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

Income tax ramifications for a \$1,200,000 LIFO reserve.  
.....

Estimated would be \$800,000.  
.....

The financial impact would be very negative.

Higher tax federal and state

Moderate tax increase

DEVASTATING, COULD PUT US OUT OF BUSINESS

Negative tax consequences. The company's reserves would be taxed at a one time higher rate.

Repeal of LIFO would create a real and ongoing financial hardship for our company. Ultimately it will reduce the value of the company and decrease the marketability of the firm.

This would significant reduce our ability to rebuild in the State of Louisiana in the wake of Hurricane Katrina.

recapture of about 400,000 as income. An immediate tax bill of \$156,000. We do not have the cash available for that. We would have to borrow the money. I would hope that if they do repeal LIFO that they would give us some time to pay the taxes.

A large amount of tax would become due which would have a serious impact on our ability to conduct operations due to the cash outflow that would be required to pay the tax that would be due at the time of repeal, as well as the future increased taxes that would result from repeal.

Higher taxable income, higher taxes, reduced cash flow, lower inventory due to cash constraints, lower customer service due to stockouts, which then yields lower profitability and lower taxes. This results in a poor business model.

The taxes due on our repealed LIFO layers would negatively impact our operating cash requirements. It is conceivable that we might have to scale back our expansion plans, or slightly contract operationally.

A substantial increase in taxable income with a dramatic impact on our cash flow.

REPEALING LIFO (I ASSUME TO AN ACTUAL COST BASIS) WOULD SEVERELY INCREASE THE VALUE OF OUR INVENTORY, THEREBY RAISING THE PROFIT FIGURES, AND THEREBY INCREASING MY CORPORATE TAXES. WITH THE COMPETITIVE MARKET THAT WE ALL FACE AS SMALL BUSINESSES, THE REPEAL COULD HAVE DEVASTATING EFFECTS AS TO PAYROLL, EXPANSION, ETC., BECAUSE THE EXTRA TAX BURDEN WOULD HAVE TO GENERATED FROM SOMEWHERE, SUCH AS DECREASING PAYROLLS, DEFERRED EXPANSION, ETC.

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

Negative impact. Increase in taxes.

-increase in unsellable, dirty product -inability to manage non-perishable foodstuffs and mfr. product expiry dates

We have been on LIFO since 1978, Repeal would be devastating to us.

We have LIFO Reserve of \$837,000 thus would have to pay tax on this amount plus more taxes paid on income each year.

In most years we realize a tax savings through the LIFO valuation of our inventory. We are a growing company in an industry of increasing prices (pharmaceuticals). The repeal would eliminate the savings. Furthermore, the repeal might include a recapture of the LIFO reserve we currently carry on our balance sheet. This would be very costly.

Current reserve of \$279,000 would be taxed @ the maximum rate for federal & state. moving forward the impact would be \$25,000 in additional federal & state income taxes

Significant restrictions on reinvestment and investments in growth

It would cost us a fair amount of money

Right now we would have to restate approx \$400,000 in income. But the more important issue is if we get into higher inflationary times eg 6% our income would be inflated 180,000 per year on a 3,000,000 inventory. Can they guarantee a low inflation rate??

The repeal of LIFO would result in a significant increase in income tax liability and a decrease in cash flow, which must be replaced from another source. This would likely be increased pricing. On a national economic basis, this could have a significant inflationary effect.

Elimination of lifo reserve of 13.4 million as of December 31,2005. Elimination would result in 13.4 million as additional income subject to approx 41% in taxes, or 5.5 million

Approximatatley \$750,000 increase in tax for 2006.

A full repeal would make our LIFO reserve of \$915,000 subject to immediate tax.

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

Our lifo reserve index is over \$2 million, and the tax impact would be about \$800,000

BEING A SMALL COMPANY IT WOULD HAVE A TREMENDOUSLY NEGATIVE IMPACT ON MY CASH FLOW AND THE ABILITY TO PROPERLY REPLENISH INVENTORIES AT THE PROPER LEVELS AND PRICING...

A disaster!!!!!!!!!!!!!!!!!!!!!!

Our LIFO reserve is \$650,000+. It's easy to calculate the impact that it will have if we are required to pay the taxes on that amount.

A large tax liability would be incurred if the taxpayer is forced to pick up the prior LIFO reserve as a reduction of cost of good sold in a subsequent tax year.

SEVERE IMPACT .

.....  
Higher taxes  
.....

Would seriously affect our profits. In following the previous laws, we would be punished now, just so the lawmakers can try to raise taxes.  
.....

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.  
.....

Carring inventory is an essential part of what we do to add value as a distributor. If there is a shortage of the supply, the inventory that we have allows the economic activity to continue because of the inventory that we carry. Having to pay tax on the inflation of our inventory would add an additional burdon on us, to carry this inventory. No real profits are realized until the inventory is sold and not  
.....

higher taxes  
.....

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... So if they repeal this they'll put more people on the streets and on the government handout program...it's up to the so call elected officials to make an informed decision...and if they don't get info from both sides they're making a ignorant decision!! and well they do that all the time don't they...  
.....

Eliminate our inflation hedge. We have very slow moving inventory, our lifo reserve really helps us. We have been on LIFO since 1977.  
.....

Repealing LIFO would be devastating to the cash flow of our company. The additional tax due (even if spread over a period of say, four years) would drain cash that would otherwise be used on to improve our facilities or invest in new products and services.  
.....

Initially a financial burden. To offset the added tax burden we would have to cut expenses through employee layoffs(70% of our expenses are payroll related). This would likely result in lower sales and profits. Ongoing the elimination of LIFO would represent taxation on inflation. Bad, Bad, Bad for business and the economy as a whole. Two thirds of the jobs in our economy are a result of small business not public corporations.

.....  
Accelerate \$4.8 million in taxable income

.....  
pay more taxes

.....  
We would have to pay over 500,000 in tax immediately, this would cripple our cash flow to take such a large hit all at once.

.....  
There would be significant income taxes due based upon the difference between LIFO and FIFO. While the taxes would only be due based upon the one-time event, the cashflow impact would curtail investments in the business and its growth. It may even mean a reduction in force to balance out relatively short-term expenses, so as not to place the company in too great of debt.

.....  
A very large tax burden.

In the past it has meant helping us survive in a bad business year. If LIFO were repealed it would/could mean the difference in our being profitable and being able to delay taxes on an inflating market such as we are having now. LIFO has been a real effective method for us to survive.

.....  
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.

.....  
**THE IMPLICATION OF THOUSANDS OF TAX DOLLARS!! OUR INDUSTRY IS A VERY LOW MARGIN INDUSTRY AS IT IS. WE DEPEND ON ANY TAX BREAK AVAILABLE. THANK YOU FOR YOUR CONTINUED EFFORTS!!**

.....  
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 stagnant area would be almost impossible to overcome.**

.....

The impact would be very significant. Our LIFO reserve is \$134,000,000 as we have been on LIFO since 1968. That represents approximately 90% of our net worth.

.....

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.

.....

\$20 million impact -- would change our capital spending and hiring

.....

We have approximately 3,000,000.00 in LIFO reserves which would cost the company a serious amount of dollars.

.....

It would create a federal income tax liability over \$600,000, obviously not something a small company like ours could easily pay. In fact, this could put us out of business. Not a good idea to repeal LIFO. And the LIFO option has saved our company an equal amount of federal taxes.

.....

Current levels of inventory would yield an increase in taxable income of approx. \$600,000. The tax payment would be a significant impact to cash flow.

.....

Our company has a \$6 million LIFO layer that has been accumulated over the past 40+ years. To eliminate this all at once would seriously jeopardize the financial stability of the company.

.....

Inflation in the raw material cost of the products that we distribute has added \$600 to 800,000 annually to our inventory. The tax relief we get from LIFO is critical to provide some of the capital resources needed to invest in our people (i.e. jobs creation) and services, which not only allows us to remain financially healthy, but helps the beleaguered manufacturing companies in the Northeast competitive with the rest of the world.

.....

We are a small family-owned wholesale business. Repeal of LIFO would be devastating, especially as commodity prices are spiraling out of control. We would be paying taxes on pricing-related profit on inventory that we haven't sold. The financial impact would severely hamper our cash flow and ability to function.

The ability to lessen the inflation driven tax burden of our inventory will allow us to invest in new employees and capital expense projects fueling 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. If other small privately held firms have to deal with the same issues the engine that fuels economic growth, the small business in the US, will be stalled and a recession can result.

We would owe approximately \$700,000 in tax due to repeal of LIFO.

\$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.

LIFO repeal would inflict considerable hardship on [\_\_\_\_\_]. We would have to pay well over \$2,000,000 in additional Federal taxes and future net profits would be eroded without LIFO's inflation protection.

It would be a significant impact. With inflationary increases of raw materials, the loss of LIFO would adversely impact our business by causing us to pay taxes on inflation, rather than profit.

#### LOWER INVENTORIES AND PROFITS

I am not on LIFO but on avg cost. If they repeal LIFO then avg cost may be next as replacement cost would increase their revenues so we support keeping it as is. When that bunch in Wash starts changing anything then there is no way to know what harm will be done. Thank you for your efforts.

Huge immediate increase in tax liability, which would divert cash flow from expansion, job creation, and increased business activity. Clearly this professor never had to run a Company or meet a payroll.

The repeal of LIFO accounting 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.

LIFO repeal would force us to carry much less inventory, and stop our fast track sales growth.

.....

If LIFO were repealed; a large tax obligation would be created if the reserve is to be taxed. Also, on an annual basis the potential increase in inventory valuation would be taxed.

.....

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.

118. 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.

.....

Severe cash flow problems because inventory would have to be replaced at substantially higher costs even though cost of sales deductions are at the lower purchase costs resulting in large taxes that could make it impossible to replace the inventory that was sold.

.....

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.

.....

The impact is difficult to estimate in its entirety because our business is growing and LIFO continues to benefit us every year in increasing amounts. Currently, we have a LIFO reserve of approximately \$35 million. With the growth that we saw last year, the benefit of LIFO was \$2 million in positive cash flow. This money was invested in continued expansion of the business; new jobs, products, systems, etc.

.....

Approximately \$200,000 annually. Enough to be the make or break between adding positions and/or expanding into new product offerings, and enough to influence whether wage increases are the typical 4-5% vs., say, 2%.

.....

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

.....

This would have a large, negative impact on our cash due to taxes we would have to pay, while not actually increasing our net income except for a repeal of an inventory valuation method used by us for over 30 years. This would hamper our ability to expand our business and create new jobs for our community.

.....

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.

The repeal of LIFO would have a very large, negative impact on our company. Wholesale distributors have significant investments in inventory because that is the life-blood of our business. If we were to do business in an accounting world that does not use LIFO for inventory valuation, we would be paying income tax on the amount that our inventory value increases due to inflation. That means that we would be paying income tax on inventory that had not been sold and might not be sold for a long time. Such a change would be particularly painful right now, in view of the extreme levels of inflation in steel, copper, aluminum, PVC, and other products which make up the bulk of our inventory.

Current LIFO reserve is \$77 Million which would become taxable in the future.

The tax bill the company pays would increase substantially. This would violate the standard accounting principle of matching current costs with current revenues. It would also put strains on the organizations expansion plans and inhibit those growth plans.

\$500,000+

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

We figure we would have to pay in taxes \$2.3 million dollars. We probably have over \$6 million in LIFO reserve now. It would hurt making our taxable income higher.

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

It would hurt our profits.

Tremendous increase in tax burden

.....  
\$500,000  
.....

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

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

A drain on our cash flow. LIFO allows us to absorb inflationary increases on a steady basis as opposed to being hit with a new investment in inventory and a tax liability with FIFO.

.....  
A recapture of reserve would increase earnings for the next five years at least. LIFO inventory method is not only a tax device it helps when deciding if inventories should be increased to help protect customer production. This cannot be done if LIFO earnings are used to pay the federal government. Future inventory investment would be reduced to provide an adequate ROI and snowball into manufacturing in this area. Are they all idiots in congress.  
.....

.....  
Significant! We carry an average of \$13 million of inventory at any given time.  
.....

A significant tax liability would come due that accumulated over a period of 22+ years. It has the potential to force a total restructuring of the finances of the business, would restrict any potential growth and new employment plans, and depending on how implemented, could put the company at such a competitive disadvantage that could force the business to close or be sold.  
.....

It would create a huge tax liability and cash flow issue for us. That would be the bottom line effect for any company who is in an industry where inventory prices continue to escalate over time.  
.....

Paying taxes on the LIFO reserve would severely hamper the ability of the company to grow and or survive.  
.....

Financial hardship. We would be required to loan significant dollars to meet the tax obligation. Our Company's effective tax rate including state income tax is already 43%!  
.....

Due to regular increases in pricing, it would have a HUGE effect on our company. Because of regular price increases, we would be paying taxes on paper profits from price increases, yet they would not be earned. Besides this, our current LIFO level is very large, and it would cause a HUGE burden on our company to pay the tax on removing the LIFO from our balance sheet

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.

We have \$2.4 million currently in our LIFO reserve. If the LIFO rules were repealed, we would have to pay income taxes on that amount, approx \$1 million.

Our tax LIFO reserves at 12/31/2005 total \$112,000,000. We are an S Corp. The total tax cost of repeal to our shareholders would be \$45,500,000.

Our LIFO reserve is approx. \$4.4 million. Over the years, our suppliers have tightened on discount and rebate programs, so our profitability has declined dramatically. Accordingly, the tax consequences would be devastating.

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

We would have to take into income 1,000,000, this is what our LIFO reserve is.

WE WOULD HAVE TO PAY TAXES ON \$723,452.04 WHICH WOULD HURT BAD. DON'T RAISE TAXES ANY MORE, SMALL BUSINESS CAN'T AFFORD IT AND EMPLOYEE PEOPLE WHICH IS THE BACKBONE OF THIS COUNTRY. CUT THE NUMBER OF UNPRODUCTIVE GOVERNMENT EMPLOYEES AND POLITATION PAY. JUST LIKE SMALL BUSINESS HAS TO.

\$2.3 million LIFO reserve? You do the math. I have and don't like the results!

It would elimiate my LIFO reserves.

The impact to our warehouse division would be in excess of \$6 million just in inventory pricing.

.....

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.

.....

It would make it more difficult to succeed than it already is for a small business.

.....

The repeal of the LIFO method of inventory evaluation would result in an immediate halt of our expansion plans and probably require a careful review of our present ability to finance our current expansion - A possibility of shrinking the size of our company.

.....

We have been on LIFO since 1983 and have been able to use the tax savings to further our business for us, our employees and our community. Many people have benefited (and will continue to benefit if the tax law is not repealed)!

.....

We would have difficulty financing the replacement of our inventory during periods of increasing costs. Less inventory = less business for our distribution company.

.....

We are a sub-S corporation with over \$1,000,000 in our LIFO reserve account. This amount would pass through immediately as income to our two shareholders. The resulting tax burden on this "paper income" would be staggering to say the least.

.....

It looks like roughly \$25M in tax benefits.

.....

Make it more difficult to keep increasing inventory as company grows -- thereby slowing growth

.....

\$15 million liability

.....

Since our whole computer system is written in accordance with LIFO standards, the whole program would have to be rewritten. We have thousands of parts purchased at different times throughout the year at different prices. It is very common for us that the same part is purchased multiple times and at different prices. Theoretically, we could have multiple part numbers for one item just because it was bought at different costs. It will be an accounting and inventory nightmare if we get away from LIFO, not to mention the ridiculous cost and amount of time it will take to comply to the new standards. It doesn't make "sense" or "cents". It's a waste of time, money, and resources for every business, and the individual taxpayer really doesn't benefit much at all in the big picture.

.....  
Huge.... It would be very expensive and slow our growth  
.....

Our entire computer system is geared on the LIFO method of valuation. Everything from the Inventory package to the sales programs, costing programs and general ledger programs would have to be re written. Since we use a custom computer package, that would require all of these program segments, the reports within them and all the databases to be completely re-written. This would cost us thousands of dollars and would take months to complete.  
.....

It would cost an additional 5-7 million in taxes.  
.....

At the end of 2005 we had a Lifo reserve of \$1,228,000, so we would have to pay taxes on the additional income, which would be devastating. This is more than double our annual income in a good year. Also, there is a tremendous amount of inflation in the Electrical industry this year, particularly in copper and zinc products, and it is unfair to be penalized for having a large inventory of these products when costs are rapidly rising by having to pay income tax on phantom profits made by the rising value of these products that are not actually sold at the end of the year.  
.....

We would be immediately faced with a \$250,000 tax liability which would have a serious impact on our ability as a going concern. This is the only vehicle we have to deal with the impact of inflation, please do not repeal or change what you do not understand.  
.....

It would significantly increase our tax liability which would hamper our current plans to expand the company into new markets. We need those funds to finance the growth.  
.....

The repeal of LIFO would cost our company nearly \$1,000,000 in deferred income taxes. This additional tax burden would obviously negatively impact future capital and personnel investment.  
.....

\$100,000.00 IN TAXES.  
.....

Yes, the repeal of LIFO negatively impacts our company with additional taxes of \$ 166,000 as well as higher taxes in the future. This provision unfairly targets our business and comes at a time when our business profitability is down due to employee benefits costs, fuel costs, energy as well as sales being flat and gross profit decreasing due to competitors pricing.  
.....

We have been utilizing LIFO since the mid 50's and currently have a reserve of about \$400,000. Though much of our reserve consists of older and presumably dead stock, the accounting method provides us an economical way to keep slow moving inventory for our manufacturing based customers. Without LIFO, we would be forced to get rid of that inventory. Though it is not used often, when it is utilized, it is an invaluable resource for the industrial customers in our area. The repeal of LIFO would have a disastrous effect on the economy of Northwest Pennsylvania and surrounding counties in Ohio and New York.

.....

It would be devastating. It would put a profitable company of over 70 years in business out of business. Anyone, except a business moron, who understands the concept of LIFO would not even think about this action. Ending LIFO has NO practical merit in our US economy.

.....

Additional taxable income of \$15 million or \$6,000,000 additional tax (at 40% rate) paid.

.....

It would be very harmful to our business

.....

\$20 million taxes

.....

with rising commodity pricing the changes would cause an undue amount of taxation on a type of business that operates on very slim margins.

.....

It would be catastrophic

.....

considerable increase in tax burden reevaluate purchasing and inventory levels negatively affect cash flow

.....

The impact would be an immediate tax burden that would strain our financial operating capital.

.....

The rising raw material costs (copper, nickel, aluminum, crude oil) have caused electrical supply materials, particularly commodity items (building wire, electrical boxes, fittings, etc.) to skyrocket in cost. LIFO costing creates some smoothing of windfall and short-lived profits.

.....

The repeal of LIFO would have devastating effect on the Company. The repeal of LIFO would create significant financial difficulties.

.....

APPROXIMATE 500,000 INCOME GAIN; UNLESS PHASED IN OVER THE NUMBER OF YEARS IT WAS IN OUR ACCOUNTING SYSTEM.

We would be subject to a significant tax increase and would require major software programming and expense to modify our accounting and reporting systems.

It would have a significant impact on our business. We would be limited to future capitol spending which would impact our competitiveness.

lost profitability

It would create a huge tax burden. It would extreme cash flow expense to our company.

We have a business with large commodity price fluctuations and pices go up and down, so having LIFO helps smooth out our earnings and shows a more realistic view of what is happening in our business. It also would be very difficult to finance any expansion without LIFO as price inflation would create large tax bills.

The repeal would severely impact our ability to continue business. Sure, the last couple of years have reaped large tax deferrals, but most of that saved cash has gone into purchasing more inventory at higher prices and also gone back into the pockets of all employees (giving the economy more consumer spending money and our employees some retirement income). To suddenly have to use a huge amount of cash to pay taxes would generate large bank borrowings - assuming we could borrow enough to cover the tax bill - and would limit our ability to use cash for investments in product to sell, people and equipment. Also, it would generate large interest payments in a time of rising rates. Some of those tax deferrals are likely to be reversed within the year as inflation gets back under control (due to a drop in demand for many products that will be deemed too expensive).

#1 thousands and thousands of waisted dollars converting from the lifo acounting methods to fifo methods  
#2 will force my company to invest in inventory that turns very fast, that means i will invest less in slow moving inventory #3 will create a large tax obligation for my company by artifically inflating the value of my inventory, and take away what ever if any income i would have realized by investing in my inventory #4 tell them the goverment to run their affairs in a business like manner and stop trying to teach people how to get something with out working for it, and start to teach the lazy people how to work by not giving them free money, and forcing them to get what they deserve(nothing for nothing done , and something for something done) thats how simple it is

Higher taxes. I would be especially concerned about what would happen to our existing LIFO reserve balance.

.....  
SIGNIFICANT IF NOT DEVASTATING IMPACT ON CASH FLOW DUE TO THE IMPLIED TAX BURDEN.

.....  
If LIFO were repealed, I assume that the Federal Government would want taxes paid on the reserve that would be eliminated. The tax burden would be about \$3.5 million as we have been using LIFO since 1974. There could be a significant cash flow reduction, especially as commodity prices have been increasing significantly over the past 3 years.

.....  
IMMEDIATE TAX LIABILITY IN EXCESS OF \$1 MILLION.

.....  
\$250,000 tax liability

.....  
All our Lifo would be taxed at once.

.....  
Our current LIFO reserve is \$2.3 million dollars. Estimated tax impact would be 38% of that amount or roughly \$900,000.

.....  
Would hurt our ability to show a profit as it would dramatically effect or Cost of Goods Sold

.....  
Devastaing. We would have the potential of future growth severely 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.

.....  
Our inventory would be valued at a much higher rate. We would pay considerably higher taxes and what little profits we make would be eliminated.

.....  
Our income would be greater, thus we would pay more in taxes. We would have less cash available to invest in the company, pay for new employees and provided health care benefits.

For the calendar year ending 12/31/05, our LIFO reserve increased approximately \$800,000. In other words, this allowed us an additional \$800,000 deduction on our tax return. Assuming a combined tax rate of approximately 40%, the LIFO election resulted in tax savings of \$320,000 for this one year only. We are obviously very in favor of LIFO and the tax benefits it provides us.

.....  
a significant tax increase  
.....

Losing LIFO would increase our tax load. If there was no inflation I could understand, but that is a fantasy. We need protection for our inventory commitment.

.....  
As a small business, under \$2 million in sales, recognizing the LIFO reserve that has built up over the 50 year history of this company's existence would make our tax liability increase three times over our last filed tax return, which was a relatively good year for us.  
.....

Our company has been on LIFO for over 30 years and has shown that this method is responsible, to a large degree, in assuring our survival during recent downturns. It is absolutely CRITICAL that LIFO be retained as a viable method of doing business. The Senate must be defeated in this attempt to put tens of thousands of small businesses out of business if LIFO is repealed

.....  
Higher cost of doing business, just another hidden tax!  
.....

Simply put, it would be a tax increase. The benefit of LIFO is when costs are rising allowing the most current costs to match against current revenue. This helps better manage our business. Additionally the LIFO method allows a tax deduction for the costs being incurred.

.....  
217. We are a steel Service Center or distributor. It would be devastating  
.....

Lifo repeal would put major stress on our company's cashflow. I fear the tax effect would cause the company to shrink.

.....  
After many years of using the LIFO method, the impact on our taxes would be quite substantial when forced to convert to other methods.  
.....

It would drastically reduce or eliminate our profit.

.....  
Significant taxable liability on our LIFO Reserve.  
.....

A major tax burden.  
.....

A governmental type mess. As a distributor, you must always base your cost... for purposes of pricing to your customers, on your replacement cost. A perfect example is gasoline. You can not draw a practical line between your "old" inventory and your "new" inventory. So when your cost goes up today, you must pass that cost on through your pricing immediately. Where the gas folks screw up is when the price drops... they are very, very, slow in making the adjustment. LIFO is the only truly practical way for a distributor to value inventory. To do otherwise will cause cashflow issues and create the need to slow growth. Unfortunately, the government and business operate under totally different realities.  
.....

Sustantial \$ loss  
.....

One hell of a big tax bill. More than \$800,000 would drop to the bottom line!  
.....

\$400,000.00  
.....

This would be a tremendous financial burden for our company.  
.....

WOULD WE OWE TAXES ON OUR ~\$500,000 LIFO Reserve?  
.....

I would be subjected to about \$400,000 in taxes and annually pay increased taxes. My firm has paid the max tax rate for many years and this is one of the few tax strategies we can employ. It is very difficult to generate capital in an inventory intensive industry where you are already subjected to very high tax rates. This really hits small business between the eyes, why not go after the big industries that pay a low tax rate?  
.....

WE WOULD PAY MORE INCOME TAX. SINCE OUR INDUSTRY IS VERY COMPETITIVE, WE WOULD BE FORCED TO CUT EXPENSES. THIS MAY BE IN THE FORM OF PAYROLL, BENEFITS OR CAPITAL EXPENDITURES. WE ALREADY PAY BETWEEN 38-42% OF OUR NET INCOME IN INCOME TAXES. I FEEL THIS IS MORE THAN A FAIR SHARE FOR A SMALL COMPANY TO CONTRIBUTE.  
.....

.....  
The worse inflation gets, the greater the negative impact of a LIFO repeal.  
.....

uncertain  
.....

Some!  
.....

Expensive!  
.....

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.  
.....

TAXES PAID ON CURRENT LIFO RESERVE WOULD BE ABOUT \$250,000  
.....

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. WE ARE A WHOLESALER  
.....

We would need to got our banks and borrow alot more money. It is very possible it could curtail our investment program.  
.....

Repeal of LIFO would generate a \$1.3 million tax income burden, without any real income or cash flow to fund the income tax liability. We are a wholesale distributor, consequently the distribution service provided by our business has already been negatively impacted increased fuel costs. Thus far we have been reluctant to pass along these added fuel costs, but in a business with margins a tight as ours (1% of sales) it may become necessary for our survival if LIFO is repealed on top of fuel cost increases.  
.....

great headaches in converting over and would have a signigicant expense to our financial picture. eleminating the lifo inventory would be a significant hardship on our company.  
.....

In short, the additional \$ saved by using Lifo has allowed our company to hired additional staff and allowed us to compete with the larger distributors.

.....

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

.....

Inventory is our largest asset. LIFO keeps us from paying tax on inventory gain due to inflation. We therefore do not have to liquidate inventory to pay taxes.

.....

Lifo has allowed this company to with-stand dramatic price increases in product cost. If our reserve is eliminated, the increase in tax, as well as the increase in operating cost for interest expense will destroy our business model.

.....

LIFO ALLOWS ME THE AFFORDS ME A CUSION IN ORDER TO GIVE FREELY TO HABITE FOR HUMANITY AND DISPOSE OF INVENTORY THAT HAS DECREASED IN OR HAS NO VALUE. THIS IS CAUSED BY MARKET CONDITIONS. BEYOND MY CONTROL. THIS WOULD BE ONE MORE ISSUE THAT MAY SPEED UP THE SALE OF MY COMPANY.

.....

The per-year cost for the next 20 years would be \$2,275,000 (This assumes the same special 20 year accounting method change spread period as included in the original repeal proposal).

.....

We would have to revise our accounting and inventory control system. The down time, the outside software expert needed to convert our system and a possible software upgrade will cost thousnads of dollars. As a small business (12 employees) I cannot afford to do this.

.....

It would limit my ability to grow and create jobs as we are a privately held company.

.....

We have \$15,000,000 in LIFO reserve that would become taxable. Elemination of LIFO would tax us for unrealized income. We could not provide the capital needed to ofset the effect of inflation on inventory and receivables (80% of our assets). We would have to curtail growth plans.

252. We are a wholesale distributor of pharmaceuticals. The repeal of LIFO would be disastrous!

.....

We have a LIFO reserve of almost \$2 Million. Our annual sales average about \$12 Million. If we were to pay income tax on the \$2 Million LIFO reserve it would be approximately 3 years of our average annual tax bill. Sounds devastating to me. I have no idea where that kind of cash flow would come from.

.....  
The impact would be that it would increase our tax bill every year which in turn would negatively impact our cash flow and our ability to earn interest on banked funds. Even as a small company it could cost of in excess of over \$50,000.00 which would certainly diminish our abilities to cope in the business world of profit margin erosion and rapidly escalating costs.  
.....

THE IMPACT OF THE REPEAL OF LIFO WOULD CAUSE OUR PROFIT MARGINS TO FALL.  
THAT'S A BIG ONE WHEN YOU ARE A WHOLESALE BUSINESS.  
.....

On sales of \$15,000,000, and total inventory of approximately \$1,000,000, the repeal of LIFO would likely cost an additional \$10,000 per year in taxes.  
.....

Significant, unless the LIFO reserve is "grandfathered".  
.....

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. The idea of giving \$100 to individuals to help offset fuel costs is ludicrous. The quality of our leadership on capitol hill is becoming an embarrassment when they take time to consider items such as these.  
.....

If the reserve is taken into income, the cost would be over \$750,000 this year when our home building industry is not as healthy as in the past.  
.....

We would have to pay very high taxes on the accrued lifo amount to date. We have been lifo a long time....  
.....

It would generate about \$3 mil of taxes due which would cause a real cash flow problem.  
.....

Substantial! To the point of letting the idiot so called Republicans get beat in November so they can remember who put them in office to begin with!  
.....

An immediate impact of over \$200,000 and an ongoing impact that would make me uncompetative with the bigger companies.  
.....

If LIFO were repealed I assume we would have to take our LIFO Reserve into income in the year of repeal. That would drastically inflate our income for the period and the tax affect would be disastrous.

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

Repeal of LIFO would have a critical negative impact on our business by driving a reduction of our work force to offset the financial costs of the repeal.  
.....

EXCESSIVE TAX LIABILITY  
.....

WE WOULD NEED TO BORROW UP TO TH LIMIT OF OUR LINE OF CREDIT TO PAY THE INCOME TAXES THAT WOULD BE DUE IF LIFO WAS REPEALED. WE WOULD HAVE NO AVAILABLE CASH FOR OTHER PURPOSES FOR SEVERAL YEARS.  
.....

devastating. we are in a commodity business with wide price swings. lifo is the best measure of the "cash flow" profitability of our business.  
.....

It would be difficult to continue operating with the current number of people if the Gov't continues to squeeze small business in every direction. We need relief not more pressure. This accounting method allows us to reserve for the periodic spiral of metals pricing to offset the huge recent increases in metal prices. Believe me, the price decrease will come - it is a very cyclical industry.  
.....

Our company has been on LIFO inventory valuation for over 45 years. Needless to say we are in the business of holding and distributing inventory. 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.  
.....

At the present time our LIFO reserve is about 40% of the value of our total inventory. Repeal would create a serious financial impact for our company.  
.....

It would create false taxable profits, such as in 2007 we are going to have a \$1.00 per pak increase in cigarette tax. Without lifo, we would have to pay tax on the gain in the inventory, of about \$250,000.00. We are a small company, with small profits, and this would just about put us out of business.  
.....

it would greatly affect our tax position and our ability to retain profit in the firm.  
.....

Another big tax. Less profits to reinvest in our business, if we have profits. Remember Sweden, they got to the point where 70% of the income in that country went to the government. That has changed now.

.....

\$10,312,000 INCOME EFFECT

.....

Inflation requires we expend more money to replace items we have sold. LIFO helps us to handle inflation in our inventory. Without it, our taxes are raised forcing us to pay for new inventory out of our slim gross margins. Our company typically earns between 1-2% net profit before taxes on sales. Being taxed on inflationary profits too makes it difficult to grow your inventory and invest further in this business.

.....

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 financial statements and now being out of compliance with loan covenants.

.....

WOULD PROBABLY INCREASE OUR TAX BURDEN

.....

The impact would cost us millions of dollars and for a small business I don't know if we could take a huge hit like this.

.....

We would end up having negative tax implications.

.....

It would be another disincentive to grow our company and increase our payroll base. It seems that the government is doing everything in their power to hinder entrepreneurs- high taxes, burdensome government regulations, not passing association health plans, potential repeal of LIFO. It is difficult to take business risks needed to grow our company in this environment.

.....

Our cash flow would be reduced which would hinder our ability to replace inventories and or make capital investments.

.....

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. In addition, LIFO reduces the risk of maintaining inventories necessary to provide rapid response to customer needs. These rapid-response capabilities are one of the key components to maintaining U.S. comparative advantage in manufacturing against less developed countries. Congress would get a one-time gain in exchange for years of lost tax revenue from payroll and income resulting from the benefits of capital investments. This short-term thinking is the stuff of drug addicts, not statesmen.

.....

A repeal of LIFO would result in over a \$30 million tax liability for our company, which would result in many significant impacts on our business. First, it would reduce our cash flow and require us to reduce our inventories dramatically. Second, reduced inventories will slow down our ability to respond to our customers, which potentially could lower our customers' productivity and increase their costs. I am strongly opposed to any change to the LIFO inventory method due to the negative impact it would have on our business and the potential long-term impact on the general economy.

.....

Additional taxes. Catch up taxes for the reserve currently in place and ongoing higher taxes in years to come.

.....

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.

290. It would have a significant negative effect on capital formation and our ability to grow and create jobs. We have been on LIFO for over 30 years and the short term tax consequences would be devastating.

.....

AS A WHOLESALE DISTRIBUTOR UTILIZING THE LIFO ACCOUNTING METHOD THE REPEAL OF SUCH WOULD HAVE A DEVASTATING EFFECT ON 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. IT WOULD CAUSE US TO ELIMINATE OUR INVENTORY TO A CERTAIN EXTENT. OUR INVENTORY IS WHAT PROVIDES OUR MRO CUSTOMERS WITH LESS DOWNTIME AND OUR OEM CUSTOMERS WITH SMOOTH PRODUCTION RUNS. AS WE KNOW THE MANUFACTURING SECTOR IN THIS COUNTRY DOESN'T NEED ANY MORE PROBLEMS OR THEY TOO WILL LOSE JOBS TO THE MEXICANS, CHINESE, OR GOD ONLY KNOWS WHO ELSE. THERE MUST BE SOME WASTE IN GOV'T SPENDING THAT WE CAN REDUCE AS OPPOSED TO HARMING AMERICAN INDUSTRY THAT PRODUCES GOOD PAYING JOBS WITH BENEFITS.

.....

It could put out of business..... We have a very large lifo account.

.....

Dramatic tax consequences.

.....

I believe the repeal of LIFO would have a tremendous impact on my competition.

.....

We are a wholesaler and this helps to overcome part of the affect of inflation on our product lines. Because we use LIFO, we are able to lower the prices some to our customers. It also helps us to compete with the "big" companies.

It would seriously affect our profitability and cash flow. LIFO Accounting is very important to Distributors due to the large inventories we are forced to carry to satisfy our customers.

more cash outlay for Federal Tax..about \$300,000-\$500,000..\$\$\$ that are very much need by us for upgradfing tooling and increasing work force and wages

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 has provided tax sheltering which produced the reinvestment dollars 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. We just had to bite the bullet of the capitalization of incoming freight costs and I do not think we would servive having to pay the taxes that elimination of LIFO would mandate without cutting the size of our business at least by half.

The repeal of LIFO as an acceptable inventory valuation method would result in an additional tax bill in excess of a half of million dollars.

This would cost approximately \$2 million in additional taxes in the year it was implemented. We would have to delay our current building expansion plans for at least a year, possibly two.

higher taxes

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

Lower inventory levels, decreased staff, higher tax, less accurate accounting

Higher future taxes resulting in less capital to re-invest in expansion. It will also be much more difficult to manage inflationary pressures.

.....  
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.  
.....

Our operating costs would be impacted negatively!  
.....

Over \$3,000,000 reserves - family owned business  
.....

If the repeal of LIFO included the escalation of the payment of the past deferred income taxes, it would be devastating to our company. If we were required to claim the deferred tax income in one or two tax years, it would probably bankrupt the company. If the LIFO method were to be disallowed in the future without escalating the payment of the taxes on the deferred income, the impact would be acceptable.  
.....

We would incur and large tax liability by recapturing the LIFO reserve.  
.....

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

The first impact would be the costs to redo our entire accounting system, from changing the software we use to accountants fees and loss of time that our employees would be better off making sales (or if on overtime, home with their families). Our inventory costs would increase, and our bottom line would subsequently decrease as a long term effect.  
.....

Lifo reserve is approx. \$750,000.  
.....

Create a \$4,000,000 tax liability.  
.....

\$1.5 mill charge to cost of goods, possible 41-45% effective tax rate charge  
.....

It would create a unexpected tax liability that could put many businesses out of business.  
.....

We have a LIFO reserve of over \$800,000.00. If this becomes taxable income it would be a big hardship.  
.....

Meaningful

.....  
We currently have a lifo reserve of \$2.2 million. A repeal would trigger an income tax of nearly \$1 million. This would have a devastating impact on the financial condition of the company.

.....  
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.

.....  
Negatively impact the company

.....  
The cost could be significant to the companies net worth.

.....  
The income tax burden would be debillitating

.....  
Taxes due of over 7,000,000

.....  
it would have a sever negative income tax impact. and in turn hurt future investment into expanding inventory or maintaining inventory levels during high inflation in our industry

.....  
Our ability a compete and grow would be seriously impacted. To pay taxes on inflationary profits would be grossly unfair. By eliminating LIFO, the tax burden on our Company would equal our profit for the year.

.....  
IT COULD BE DETRIMENTAL TO OUR COMPANY

.....  
Our tax bill would increase by \$250,000.

.....  
bad

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.

We are a non-trade public filer. We are a New York Corp. with our headquarters in Missouri. Under normal conditions in our industry LIFO, FIFO and Average Cost accounting methods have little affect on our performance or taxes. These options are most important during very unusual periods of rapid price increase or price declines. We believe using the LIFO method lowers our company's overall risk. By not booking "paper profits" on inventory during inflationary periods we are better able to deal with the the inevitable deflation which follows. These swings in inventory valuation have a tendency to return to normal over time. Unfortunately this cycle may straddle several calendar years. As a result reported income and taxes are overstated during the "bubble" phase and understated during the "correction" phase. An approach that insulates our shareholders, customers, employees, retiree, banks and suppliers from wild swings insures a more predictable and sustainable outcome.

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. From about 1981 until about 2002, despite some periods of fluctuation, there was essentially no inflation at all in our inventory values. If one considers this lack of inflation, the state of the American steel industry throughout that period, and the pressures brought on it from foreign competition, it begs the question why did we stick with LIFO accounting at all? The reason became clear again in 2004 when our galvanized steel inventory experienced more than 70% inflation, and the overall inflation rate in our inventory was almost 20%! This certainly provided a tax benefit for the owners of the company. However, as with many owners, most of the profits which came from the inflationary conditions have been reinvested in the company. 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.

As a distributor of high-technology electronic components we find ourselves in a somewhat unusual position with respect to our LIFO reserve. Based on the steep decline in costs from base year levels on these types of products, we actually have a negative LIFO reserve. Repeal of the LIFO method would cause us to absorb a six figure loss, which would be substantial based on on our traditional after-tax income levels, and would be extremely detrimental to our corporate capitalization. While I'm certain that we are not a "textbook case" as far as LIFO accounting is concerned, we would not find a LIFO repeal as beneficial to our company.

Higher taxes

Our company has used LIFO accounting since its inception in 1953...53 years ago. As a result of this lengthy time frame, the accumulated LIFO inventory reserve is significantly high, well over 1 million dollars. The removal of this system would cause a severe financial burden to our company if the reserve was taxed as corporate profit, not to mention the burden of switching to a different accounting method for future years. We do not support the repeal of this accounting method. Please consider an alternate means to fund energy relief.

The cumulative impact would be an increase of 10,000,000 in federal income taxes. The business impact is we would have a harder time replenishing inventories in periods of rising prices and would probably cut back our investment in inventory.

It would be very impactful, especially during these inflationary times. Also as a distributor our taxes are already exceptionally high due to our assets. This would be very unfair to distribution.

The appeal of LIFO would be devastating. Our company has been on LIFO since 1973 and have been able to grow our inventory from \$275,000 to \$34.0 million and our number of locations from 4 to 160. We would be faced with a large tax liability if we were required to go to FIFO, which would effectively stop our 15% growth rate.

Obviously.. an increase in our taxes makes it difficult to make a profit, and even remain in business. A small company like ours, with only 20 employees, has a hard enough time making ends meet. The government needs to control their spending. When companies can't afford to stay in business, and employees lose their jobs, the government loses its tax base of America's workers. Government needs to realize more taxes to cover pork spending and special interests will lead to a smaller tax base overall...Duh! America is a capitalist country...not a socialist country. More tax is going to hurt all Americans. Keep your fat pudgy hands out of our pockets!!

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 of Lifo would have a devastating impact on our company and our industry

Severe financial hardship.

.....

Cumulative LIFO reserve is \$273 million and impact would be approximately \$106 million in cash paid to IRS and states

.....

Could be the tax impact on an increase of slightly under \$1,000,000.

.....

This would create considerable stress on us. If the rules of the game are going to change , then do it in a manner that does not cause immediate stress. A phased change starting at a future point [2010] is much more preferable. Don't want to see a change. Like and understand LIFO.

.....

More the \$500,000,000 in tax

.....

Our company is a co-op. Repeal of LIFO would greatly impact our profits that are dividended to the pharmacies we service and who own us. This would limit growth and future profitability for our company and the pharmacies.

.....

Huge ammount of paperwork as our Company is over 100 years old as weel as mager inconvenience inthe future. Would require total redoing of all software systems and retraining all personal.

.....

It is unclear if they plan to repeal the entire LIFO reserve in the first year, but assuming so, our impact would be just under \$10 Million in year one of additional taxes due and if our trend of growth continues as it has in the past 5 years it would mean and additional loss of tax breaks averaging approximately \$700,000 in additional taxes due each year. This 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. Te 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, since our business has been growing approximately 12% a year 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.

.....

The short term impact would be a possible cash crunch as we had to pay taxes on the LIFO reserve. Longer term, we would have less internally generated capital to grow the business with and would have to increase our debt if we wished to support the growth rate we have been pursuing.

.....

We have a significant sum in our LIFO reserve since we have been using LIFO for many years. Should LIFO be repealed, it would have a devastating impact on our company due to the tax liability that exists on the reserve.

.....

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.

.....

Our company serves a broad range of manufacturing companies throughout the U.S. Our investment in inventory is a key factor in optimizing the supply chains for these companies, helping make them more competitive in the global economy. Our company has grown significantly over the last five years, adding over 50 high paying jobs to support that growth. Repealing LIFO would have a significant negative impact on our ability to invest optimally in the inventories necessary to support the success of our customers, ultimately leading to a reduction in investment in additional jobs.

.....

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

.....

The repeal of LIFO would have serious tax consequences on our company. We currently have a LIFO reserve, built up over 30 years, of over 1.8 million, which would be subject to taxation under FIFO.

.....

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 suppose to plan anything with the absolute insanity that is going on back there. It is impossible to plan long term for anything.

.....  
IT WOULD BE A DEVASTATING BLOW TO OUR CASH FLOW-A \$350,000 INCOME TAX LIABILITY.  
.....

Restating LIFO would cost us approximately \$500,000.  
.....

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. Forgiveness of the past "deferred liabilities", and not allowing LIFO to be used going forward would be the only fair way to repeal the method.  
.....

We have \$230,000 booked to LIFO Reserve that would be taxed at the highest rate. Now with inflation heating up, this so called paper profit would be very expensive tax wise.  
.....

Our profits would be reduced and our employees would be negatively impacted by the profit reduction.  
.....

We estimate the repeal of LIFO to cause a one-time tax charge of \$17,000,000.  
.....

Millions of \$'s of taxes  
.....

Extremely detrimental, we have been using this method of accounting for the 25 years we have been in business. Not including the cost we would incur from our accountants  
.....

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.  
.....

The impact of the change could be dramatic for our company as we have based our tax projections as well as our cash requirement projections on LIFO, and a change would prevent us from making future investments in our company as our cash would go towards the tax impact of repealing LIFO.  
.....

\$1,000,000 in taxes

.....  
We currently have a LIFO reserve of 2.4 million

.....  
Very Significant

.....  
\$1,000,000 in taxes

.....  
It would raise the cost of doing business substantially by increasing our taxes and reduce the quality of our earnings by having them being overstated

.....  
Tremendous, we would have an additional tax liability of \$1,600,000.00

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

.....  
We currently have close to \$2 million in LIFO Reserve and it would cause us to pay approx. \$700k in immediate tax.

.....  
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.

.....  
Larger Tax bill impeding our ability to expand.

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

.....  
It would impact negatively on our bottom line big time.

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.

Our current LIFO reserve of \$15M+ would become taxable. Given the significant commodity inflation in 2006 YTD, I would expect a significant increase in our LIFO reserve when we calculate it at year end.

\$5 million increase in income without the cash to pay the associated taxes.

\$9,000,000 in increased tax burden this year.

Immediate higher tax burden on profits derived from price increases without the benefit of sales revenue.

Cash Tax Impact - \$5.6m

-end