THE LIFO COALITION

LAST-IN, FIRST-OUT INVENTORY ACCOUNTING METHOD

WHY DO BUSINESSES USE LIFO?

TRACK PRODUCTS

A business always wants to have adequate inventory on hand to meet demand.

TRACK COSTS

A business must manage cash flow to maximize efficiencies. Since inventory items tend to be fungible, inventory conventions are a key part of tracking costs.

DETERMINE INCOME

The tax code requires taxpayers to use the best inventory accounting practice in the trade or business that most clearly reflects income.

LIFO and FIFO achieve the same purpose: they most closely match the cost of goods sold with the cost of the replacement inventory the company must purchase in order to remain in business.

LIFO IS DESIGNED TO REACT TO PRICE FLUCTUATIONS

LIFO has a built in "toggle switch" that triggers tax when prices go down.

LIFO IS NOT A TAX EXPENDITURE

LIFO is a GAAP-approved inventory accounting system which does not meet the statutory definition of a tax expenditure.

LIFO IS USED BY MORE THAN

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OF ALL U.S. COMPANIES

including hundreds of thousands of pass-through small and mid-sized businesses, including manufacturers, distributors and retailers of a wide variety of products.

WHAT WOULD LIFO REPEAL DO?

SLOW ECONOMY

LIFO repeal would reduce GDP by

$116 BILLION

per year

COST JOBS

cause the loss of as many as

50,300 JOBS

REDUCE REVENUE

reduce federal revenue by

$518 MILLION

annually

Small businesses that operate on tighter margins rely on LIFO to ensure their

ABILITY TO MAINTAIN INVENTORY LEVELS

Repeal could force many of them into debt not only to pay the recapture tax, but to replenish inventory – a backward spiral that will put them in a position of always trying to play catch up.

CLOSED

Many companies have built up their LIFO reserves over many decades and their LIFO reserve is a multiple of one year's taxable income. A simple deferred payment scheme for the repayment of tax from LIFO repeal would not be sufficient to mitigate the harm that LIFO repeal would cause.

While LIFO repeal has been discussed for nearly a decade, no factually accurate substantive argument for repeal has been made.

FOR MORE INFO, VISIT WWW.SAVELIFO.ORG