



**Congress of the United States**  
**House of Representatives**  
**Washington, DC 20515**

November 9, 2021

The Honorable Janet Yellen  
Secretary of the Treasury  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, N.W.  
Washington, D.C. 20220

Dear Secretary Yellen:

We are writing to urge you to exercise your authority as Treasury Secretary to grant temporary relief under Section 473 of the Internal Revenue Code (IRC) to businesses using the Last-In, First-Out (LIFO) inventory accounting method who cannot maintain inventory due to the current major foreign trade interruptions caused by the pandemic.

The COVID-19 pandemic, compounded by ongoing disruptions in global supply chains, has resulted in shortages of critical materials from lumber to semiconductors. This has made it difficult for many manufacturers, retailers and wholesalers to maintain inventory. According to the [Biden Administration](#), while retailers had 43 days of inventory in February 2020 before the pandemic began, as of June 2021, they had just 33 days of inventory. This is an unprecedented situation, which could take many months to correct.

Businesses using the LIFO inventory method must maintain a minimum level of inventory at year-end or risk triggering a recapture tax. Absent further action by the U.S. Department of Treasury, businesses that already are facing uncertainty about cash flow, working capital and inventory levels due to the global supply chain disruptions will incur the additional burden of significant, unanticipated tax liabilities.

Section 473 of the IRC, “Qualified Liquidations of LIFO Inventories,” authorizes the Treasury Secretary to provide relief from the recapture tax if “any embargo, international boycott, or other major foreign trade interruption, has made difficult or impossible” to replace inventory for “any class of goods for any class of taxpayers.” It is our view that the widespread disruption of global supply chains is clearly the type of major foreign trade interruption Congress intended to address with Section 473. This relief would permit businesses to replace their inventory over a three-year period, giving them time to restock their inventory as production normalizes. Also, providing

businesses relief from having to pay a LIFO inventory recapture tax liability will allow them to retain earnings as they recover from the pandemic, invest in their businesses and employees and replenish inventory.

Congress enacted Section 473 precisely for the type of situation occurring right now: the unforeseen and dire consequences of a worldwide pandemic, as well as a supply chain crisis, which is significantly interrupting global commerce. We urge you to grant Section 473 relief at the soonest opportunity to provide relief to businesses using LIFO, so that they can retain their employees and protect local communities from the harmful ripple effects of these problematic circumstances.

Sincerely,



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cc: Lily Batchelder, Assistant Secretary, Office of Tax Policy  
Brian Deese, Director, National Economic Council