

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

March 24, 2009

The Honorable John Spratt  
Chairman  
House Committee on the Budget  
207 Cannon House Office Building  
Washington, DC 20515

Dear Chairman Spratt:

As you prepare to draft the 2010 Budget Resolution, the undersigned members of the Blue Dog Coalition request your careful consideration of President Obama's proposed repeal of the Last In, First Out (LIFO) accounting method. While we recognize the implications of this proposal on government revenue, we are concerned with the far-reaching ramifications that the repeal of this tax and accounting method could have on businesses both large and small across the nation, forcing them to eliminate jobs or ship them overseas at a time when our country can ill-afford it.

The LIFO method of accounting, which many businesses use to value inventory, has been expressly permitted by law since 1936. LIFO is a well-established accounting practice designed to accurately reflect the cost of replacing inventory despite changes in the market. In an inflationary market, such as the one we are currently experiencing where inventory costs are rising, LIFO subtracts the higher price of replacing inventory from the gross sale, thereby giving a more conservative measure of the taxable income of the company. In the absence of the LIFO method during an inflationary period, many businesses would have an artificially high tax liability.

The repeal of LIFO and subsequent increased tax liability could have a devastating impact upon businesses that rely on this method. The overall taxes owed by companies would increase by billions of dollars. For some industries, like manufacturing, this would significantly reduce available capital for investment in machinery and equipment. The repeal of LIFO would also favor foreign competitors over U.S. companies who will have to raise prices to offset the increased tax burden. The repeal would result in a significant cash flow burden that could pose a severe threat to businesses' financial viability, raising the specter of additional job cuts during a severe recession.

Businesses that rely on LIFO include hundreds of publicly-traded companies in the U.S. and countless privately-owned businesses. Industries affected range from metals, paper, chemicals, and petroleum refining to auto parts, beverages, textiles, building materials, and industrial equipment, among many others; the impact would surely be felt in our Congressional Districts, and even more troubling, in every corner of America.

We hope that as you continue to consider the direction of the 2010 Budget Resolution, you will give attention to the real-world impact on jobs this drastic revision would have. We believe that retaining LIFO will help struggling companies and small businesses across the nation remain vital and valuable assets in our economy.

Sincerely,



Ben Chandler  
Member of Congress



Lincoln Davis  
Member of Congress



Mike Thompson  
Member of Congress



John Barrow  
Member of Congress



Mike Michaud  
Member of Congress



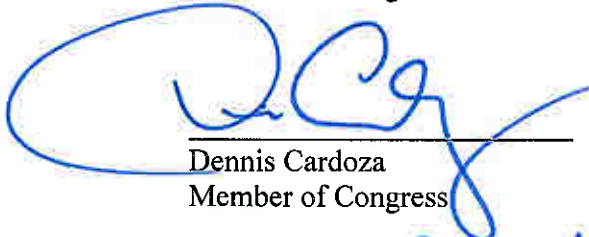
Jim Matheson  
Member of Congress



Collin Peterson  
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