AMERICAN SUPPLY ASSOCIATION

Support the Protection of Current Corporate Tax Laws

WHAT ARE WE ASKING MEMBERS OF CONGRESS TO DO?

Ahead of the Tax Cut and Jobs Act (TCJA) sunset provision in 2025, ask your Congressional members to oppose repealing the Tax Cuts and Jobs Act and support maintaining the 199A pass-through business deduction, lower corporate rate, estate tax exemption, and full business expenses.

WHAT DOES IT MEAN FOR OUR INDUSTRY?

- TCJA reduced the top corporate income tax rate from 35% to 21%. Opposing tax hikes is important to a pro-growth environment.
- The 199A small business deduction is how Congress cut taxes for pass through businesses in the Tax Cuts and Jobs Act. Maintaining this deduction will provide certainty for our industry and ensure tax parity for members.
- Under current law, the 20 percent tax deduction for qualified business income is set to expire in 2025. Keeping lower taxable income rates to help corporate and pass-through businesses prosper is a priority for our industry.
- Full business expensing incentivizes business to invest in new, safer, and more efficient equipment.
- Many of our members are owners of multi-generational family businesses. The industry has seen consolidation in recent years partly due to the massive compliance costs imposed by the estate tax and difficulty passing on operations to the next generation. Maintaining current exemptions protects many small businesses and makes repeal easier.

MORE DETAIL

The Tax Cuts and Jobs Act reformed how our members are taxed for the first time in three decades, but the new Democratic majority and Biden Administration have announced plans to repeal parts of the tax cuts, including the possible increase of the corporate tax rate as high as 28%.

Positive changes like the deduction for qualified business income (QBI), lower corporate tax rate, increased estate tax exemption and business expensing are good for our industry and should be protected from changes.

In addition to opposition from Democrats, some of these changes expire on December 31, 2025. Our industry supports the permanency of the small business tax deduction for qualified business income and the increased estate tax exemption. Permanency will allow our members (like subchapter S corporations, partnerships, sole proprietorships, and LLCs) to reinvest in their businesses and help them make better decisions in the future.

For more information, please contact ASA Vice President of Advocacy Steve Rossi at srossi@asa.net

Support Last-In, First-Out (LIFO) Inventory Valuation

WHAT ARE WE ASKING MEMBERS OF CONGRESS TO DO?

OPPOSE any efforts at LIFO repeal.

WHY IS REPEAL BAD FOR OUR INDUSTRY?

- Roughly half of companies in our industry use LIFO inventory valuation. The marginal increase in their tax liabilities will damage growth prospects.
- Distributors would be forced to pay a tax on unrecognized "phantom profits" caused by swings in commodity prices.
- Repealing LIFO would provide little benefit to federal revenues and would be a threat to businesses who have counted on LIFO for decades.

MORE DETAIL

Revenue raised by repealing LIFO would only be a tiny fraction of the federal budget: the best estimates call for an additional $112 billion in revenue over the next decade, but this amounts to a drop in the bucket of the projected $64.5 trillion in projected federal revenues over the same period. And once the LIFO reserves are no longer available to tax, the revenue to the treasury would be diminished further, and Congress will be coming back to business for a way to make up for the lost revenue, making this essentially a short-term revenue raiser with no other justifications for repeal. LIFO repeal will do more harm than good.

If repealed, companies using LIFO would be forced to report their reserves as income, resulting in a massive incremental tax liability. Additionally, repealing LIFO would mean potentially higher future tax bills and would make it harder for companies to manage inflation.

LIFO is not an "accounting gimmick," "loophole," "subsidy," or tax expenditure; rather, LIFO is a widely accepted and utilized inventory accounting method that has been part of the U.S. tax code for more than 75 years. Repeal of LIFO to offset the cost of an infrastructure bill would be antithetical to the policy goals of generating economic growth and job creation and would unduly harm businesses still emerging from the economic impacts of the pandemic.

The LIFO inventory method is an integral part of the accounting processes for many industries. Many LIFO users are involved in manufacturing and distribution, and consequently manage an integral role in creating, building, and strengthening our nation's infrastructure. In addition, other LIFO taxpayers are essential to wholesale distribution support, including the pharmaceutical and medical device industries. The LIFO accounting method is fundamental to these businesses and helps to prevent the drain of capital necessary for growth and job creation in sectors vital to the post-COVID economic environment. (Source: LIFO Coalition)

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AMERICAN SUPPLY ASSOCIATION

Support Full Repeal of the Estate Tax and Keep Stepped-Up Basis

WHAT ARE WE ASKING MEMBERS OF CONGRESS TO DO?

Ask Members of Congress and Senators to support the Death Tax Repeal Act (S. 1108/H.R. 7035)

WHY IS THE ESTATE TAX BAD FOR OUR INDUSTRY?

- Many industry members are owners of multigenerational family businesses. The industry has seen consolidation in recent years partly due to the massive compliance costs imposed by the estate tax and difficulty passing on operations to the next generation.
- Repealing the death tax will help level the playing field between family businesses and publicly traded corporations that are not forced to pay 40% of their value to the government at the passing of every generation.
- Repealing the death tax would spur job creation. According to a study by the non-partisan Tax Foundation, repealing the estate tax would create 160,000 new jobs.

MORE DETAIL

The estate tax is a 40 percent tax on the lifetime savings of a taxpayer over the current exemption. The Tax Cuts and Jobs Act doubled the estate exemption level from $5.6 to $11.58 million ($23.16 million with spousal portability) provided much needed relief to industry members planning for succession. Unfortunately, like the small business deduction, these changes are slated to expire in December 2025.

While the estate tax may be devastating to family businesses, it is a drop in the bucket of the federal budget – typically amounting to around half of one percent of annual federal revenues. In addition, the estate tax is one of the costliest taxes to comply with and plan for. Industry members should be spending on investing in expanding their businesses rather than in life insurance policies, lawyers, and accountants to mitigate the harmful effects of the estate tax.

In addition, Congress must continue to support the step-up basis. Stepping up basis when an individual who is a member of a family-owned business dies is critical to that business surviving the loss of a loved one and a business partner. Repealing stepped-up basis by imposing capital gains taxes when assets transfer ownership at death would force many family-owned businesses to liquidate assets or lay off employees to cover the tax burden.

A recent EY report forecasts that 80,000 jobs would be lost in each of the first 10 years and GDP would decrease by $100 billion over 10 years if stepped-up basis were repealed by imposing a tax on unrealized gains at death. Additionally, for every $100 of revenue raised by repeal via taxing capital gains at death, $32 would come out of the paychecks of workers.

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AMERICAN SUPPLY ASSOCIATION

Support the Healthy H_2O Act (S.806/H.R. 1721)

WHAT ARE WE ASKING MEMBERS OF CONGRESS TO DO?

Support the Healthy H_2O Act as part of the current Farm Bill, which would provide direct assistance to rural communities, households, and non-profits to test their drinking water and fund filtration technology to provide safer drinking water.

We can protect public health and use voluntary solutions to address a key gap in drinking water safety, by ensuring people have tools to test their drinking water, understand the impact of health contaminants found in their water sources, access a solution that best fits their situation.

MORE DETAIL

Across the United States, communities face threats to their drinking water from several contaminants, including lead, arsenic, nitrates, volatile organic compounds (VOCs), PFOA, PFOS, hexavalent chromium-6, and others.

However, nearly 23 million households rely exclusively on groundwater delivered through private wells for their drinking water. This water is not subject to the same regular oversight and testing for contamination, which can delay the identification of and response to health threats. Children are especially vulnerable to water contaminants such as lead and PFAS, and water filtration systems can often provide relief for families upon installation.

Low-cost technology solutions installed at the faucet or within a building can provide short-term and ongoing protection from known and emerging water contaminants. These solutions are especially critical because they provide a rapidly deployable solution to newly discovered water contamination. These water issues are often overlooked by existing federal water programs since they mostly focus on assistance for public water systems.

This legislation would provide positive public health benefits for millions of rural, underserved communities (populations of 10,000 or less), with persistent water challenges that lack near-term solutions to contamination by:

- Providing grants to conduct water quality testing and the purchase, installation, and maintenance of point-of-use or point-of-entry water treatment systems that remove or reduce health-based contaminants from drinking water.
- Having the U.S. Department of Agriculture (USDA) directly provide grants to individuals and licensed child-care facilities, and non-profits who are equipped to help people go through the process of testing and then finding and installing a water treatment product to address their situation.
- Requiring water treatment systems funded through the program be third-party certified to address the health-based contaminant found in their drinking water. Health-based contaminant found in their drinking water.

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AMERICAN SUPPLY ASSOCIATION

Support WIOA Reauthorization

(H.R. 6655 – *A Stronger Workforce for America Act*)

WHAT ARE WE ASKING MEMBERS OF CONGRESS TO DO?

Support the Workforce Investment and Opportunity Act reauthorization, that passed out of the House with a bipartisan vote of 378-26 in April.

WHAT DOES IT MEAN FOR OUR INDUSTRY?

Presently, there are nearly 9 million unfilled job positions across the United States, with close to 500,000 vacancies in the construction sector alone. According to a survey by the Associated General Contractors, 88 percent of construction employers with open positions are struggling to fill them. The necessity for a robust public workforce system has never been more critical, given the ongoing disruptions caused by AI and robotics in the economy.

The legislation would work to address some of the root causes of this employment challenge.

MORE DETAIL

Some of the provisions of the bill that would assist our industry include:

- The 50% Training Requirement: This mandate ensures that half the funds allocated to local workforce areas are dedicated to skills development, addressing the pressing training needs of employers directly.
- Demonstration Grants for Innovation: These grants aim to stimulate innovative approaches within the workforce system, offering states and local areas the opportunity to experiment with new tools and strategies.
- The Critical Industries Skills Fund: This fund incentivizes employer engagement by reimbursing those involved in preparing workers for employment in rapidly growing economic sectors, emphasizing quality and accountability.
- The New Employer Performance Metric: This metric holds local areas accountable for the percentage of workforce participants engaged in employer-driven upskilling programs.
- Expanded Incumbent Worker Training: The provision allows for increased flexibility in state spending on retraining existing workers, addressing the evolving needs of businesses.

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