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# National Grocers Association

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U.S. House of Representatives Committee on Ways and Means

Hearing on the Benefits of Permanent Tax Policy for America's Job Creators

Submission for the Record

On Behalf of the National Grocers Association

April 8, 2014

The National Grocers Association (NGA) appreciates the opportunity to submit a statement for the record in support of several tax extenders discussed by the Committee during this hearing. NGA is the national trade association representing the retailers and wholesalers that comprise the independent channel of the supermarket industry. The independent grocery channel is accountable for close to 1% of the nation's overall economy and is responsible for generating \$131 billion in sales, 944,000 jobs, \$30 billion in wages, and \$27 billion in taxes.

NGA supports the extension of a number of pro-growth tax provisions that are important to independent retailers and wholesalers and the supermarket industry as a whole. Specifically this includes the Work Opportunity Tax Credit (WOTC), 15 year straight-line cost recovery for qualified leasehold improvements, Bonus Depreciation, the increased expensing of up to \$500,000 in equipment (Section 179 expensing), the New Markets Tax Credit (NMTC), and enhanced charitable deductions for contributions of food. We urge the Committee to support the extension of these important tax provisions when the time comes to consider a tax

extenders package and support passage quickly so that our members can continue to use these important resources to grow their businesses and create jobs.

In response to the Committee's request for detailed information during the drafting of Chairman Camp's comprehensive tax plan, NGA surveyed our members on tax reform and based on those responses submitted to the Committee a report entitled, "Principles of Tax Reform For the Independent Grocery Sector". The report supports comprehensive and balanced tax reform, while also supporting many of the tax extenders that have helped our members reinvest in and grow their businesses and hire workers, especially during the economic downturn. Importantly, investment in capital improvements for independent retail grocers and their wholesalers has a multiplier effect on local communities as equipment and services are often procured from local providers. Absent comprehensive tax reform NGA believes Congress should quickly pass these temporary tax provisions through at least 2015 and give businesses certainty so they can continue to grow.

Work Opportunity Tax Credit (WOTC):

Numerous NGA members utilize WOTC as an important tool to hire workers that otherwise face significant barriers to employment, including many who receive public assistance. While 60% of respondents to our 2013 survey indicated WOTC was important to their business, a number of members noted that the administrative burdens required to administer the program can be significant, including potential penalties for errors. Many of our members have found success in hiring workers who often face barriers to employment because of this credit.

15 Year Straight-Line Cost Recovery for Qualified Leasehold Improvements:

This provision is important to independent grocers from a cash flow perspective, and has been utilized by many of our retail owners. Members have cited that this provision enables them to upgrade their stores much easier, while noting that an even shorter time period than current 15 years would be more advantageous to their businesses.

### Bonus Depreciation:

In tough economic times pro-growth tax provisions such as Bonus Depreciation have helped independent retailers and wholesalers continue to purchase new equipment and reinvest in their businesses by writing off the investment at a faster rate. Equipment for a typical supermarket requires substantial capital investment, even for smaller stores, including replacements or upgrades to refrigeration cases, shelving, equipment such as forklifts, and technology. Many members also cited the positive impact Bonus Depreciation had on cash flow for use in capital investments.

### Section 179 Expensing:

Section 179 expensing is essential to providing many retailers with increased cash flow for capital investments. While the provision is not applicable to many wholesalers given the threshold phase-out, it remains important to their retail customers who were able to reinvest and grow their businesses, thereby having a positive net effect on the wholesaler as well. NGA supports increasing the maximum threshold of \$500,000 for qualified purchases to encourage further investment. Lowering the threshold would likely lead to decreased investment.

### New Markets Tax Credit (NMTC):

As more NGA members are investing in communities located in food deserts, the NMTC has become a key tool that has enabled numerous urban projects. Independent grocers in Pennsylvania, New York, California, Illinois, the City of New Orleans, and Mississippi, to name just a few, are participating in efforts to bring supermarkets and economic development to areas that have lacked access, in addition to new store projects that are ongoing in numerous communities across the country due, in part, to NMTC resources.

### Enhanced Charitable Deductions for Food Contributions:

NGA believes it is important in today's economic environment to continue the enhanced deductions for food contributions to encourage those entities who are able to donate food items to continue to do so.

While NGA fully supports efforts to enact fair and balanced comprehensive tax reform, our industry recognizes that achieving that goal will require extensive debate and consideration, and therefore we strongly urge Congress to provide independent grocers with an extension of these pro-growth tax provisions. NGA members are united in our call for the extension of pro-growth tax extenders so grocers can be provided with tax certainty and predictability until comprehensive tax reform can be completed.

Thank you for your consideration. We look forward to continuing to work with the Committee on this very important issue.