April 26, 2012

The Honorable Pat Tiberi  
Chairman  
Subcommittee on Select Revenue Measures  
Committee on Ways and Means  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Richard Neal  
Ranking Member  
Subcommittee on Select Revenue Measures  
Committee on Ways and Means  
U.S. House of Representatives  
Washington, DC 20515

Dear Chairman Tiberi and Ranking Member Neal:

On behalf of the Retail Industry Leaders Association (RILA), thank you for holding this hearing and providing your colleagues and the public with the opportunity to share their perspectives regarding expired or soon to expire provisions in the Internal Revenue Code (Code).

By way of background, RILA is the trade association of the world’s largest and most innovative retail companies. RILA promotes consumer choice and economic freedom through public policy and industry operational excellence. Its members include more than 200 retailers, product manufacturers, and service suppliers, which together account for more than $1.5 trillion in annual sales, millions of American jobs and more than 100,000 stores, manufacturing facilities and distribution centers domestically and abroad.

In general, RILA supports tax policies that will improve the business climate for retailers, both domestically and internationally, by helping them to create jobs, invest in this country, and bring price-competitive value to American consumers. There are many important ingredients to a successful tax system that will accomplish these goals but, in this statement, we will focus on permanence and stability of the Code.

Business taxpayers benefit greatly from a tax law that is stable and predictable. Over the past two decades, dozens of provisions have been added to the Code, many well intended and achieving their particular employment, investment, or other objective. Yet, in too many cases, these provisions were added on a temporary basis, even when the tax policy objective should have been permanence. Examples particularly relevant to the retail industry include 15-year depreciation for improvements to retail and restaurant property, the Work Opportunity Tax Credit (WOTC), and the research and development (R&D) tax credit, to name a few.
Compounding the tenuous nature of these provisions is the situation in which we find ourselves today with the significant number of expired tax provisions. Because these temporary provisions are currently terminated, taxpayers have been left without certainty as to whether these tax provisions will be retroactively renewed and, if so, whether that renewal will be any sooner than at the end of this year – a year in which the tax provisions were expected to be effective.

Long-term planning is a fundamental tenet of the business community and essential for success. With federal and state taxes playing such a significant role in retailers’ financial decision making, the continual expiration and uncertainty of renewal of so much of the Code results in adverse consequences – it forces increased tax reserves, postpones investments in new facilities and improvements, and holds back critically needed new jobs.

We underscore the fact that many of the hoped-for benefits of these expired tax provisions are undermined to varying degrees when the particular provision is reinstated retroactively – especially when it is reinstated up to a year past the expiration date. For example, provisions designed to stimulate investment or hiring cannot be expected to be as effective as they otherwise would if companies cannot rely on the fact that those incentives are actually going to be available for the tax year in question. Companies are left to wonder if the incentives will be available or not, and that conundrum naturally leads to caution with regard to investing or hiring decisions, thus diminishing the “bang for the buck” of the incentives in question.

We fully appreciate the desire by the Subcommittee to evaluate the current package of expired provisions and determine which should stay and which should go. Obviously, Congress has the responsibility to determine if various tax policies are working, and, therefore, evaluating sections of the Code from time to time is a vital oversight responsibility on behalf of the taxpayers. However, RILA urges the Subcommittee and the full Ways and Means Committee to move as quickly as possible to extend those expired tax provisions it deems worthy of renewal and to do so retroactive to the beginning of this year. The sooner these provisions are extended the better businesses will be to implement business plans that accomplish the intended policy objectives of the provisions in question. With a struggling economy, Congress needs to do all it can on the tax side of the ledger to stimulate economic activity. Quickly extending those tax provisions that have a positive impact on jobs and investment, such as WOTC, 15 year depreciation for retail improvements, and the R&D credit, would generate sorely needed economic growth. In short, Congress should not wait until the end of the year or for the prospect of tax reform – Congress needs to act now!

Importantly, we also note that making the determination that certain provisions are worth keeping in the short term should not preclude Congress from putting all these provisions on the table in thecontext of comprehensive tax reform. RILA has been an outspoken advocate for comprehensive tax reform. Central to that reform, we believe, is the need for broadening the tax base in order to substantially reduce the business rate. RILA believes that all business tax preferences should be on the table in tax reform so that business rates can be lowered as much as possible.
To conclude, RILA members require certainty in the Code in order to make investment and hiring decisions. Congress should act quickly to extend those expired provisions it views to be effective – it should not wait until the end of the year. Businesses need to know what the law is today while the tax reform process proceeds. In the long run, all of these provisions should be on the table in the effort to achieve comprehensive tax reform which we hope will result in a substantially reduced business rate and a simplified, stable, competitive and permanent U.S. tax code.

Thank you for the opportunity to share the views of our member companies.

Sincerely,

Bill Hughes
Senior Vice President, Government Affairs