

117TH CONGRESS  
2D SESSION

# S. 4105

To treat certain liquidations of new motor vehicle inventory as qualified liquidations of LIFO inventory for purposes of the Internal Revenue Code of 1986.

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## IN THE SENATE OF THE UNITED STATES

APRIL 28, 2022

Mr. BROWN (for himself, Mr. SCOTT of South Carolina, Ms. CORTEZ MASTO, Mr. MARSHALL, Mrs. MURRAY, Ms. LUMMIS, Ms. STABENOW, and Mr. PORTMAN) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To treat certain liquidations of new motor vehicle inventory as qualified liquidations of LIFO inventory for purposes of the Internal Revenue Code of 1986.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Supply Chain Disrup-  
5 tions Relief Act”.

1 **SEC. 2. TREATMENT OF CERTAIN LIQUIDATIONS OF NEW**  
2 **MOTOR VEHICLE INVENTORY AS QUALIFIED**  
3 **LIQUIDATIONS OF LIFO INVENTORY.**

4 (a) IN GENERAL.—In the case of any dealer of new  
5 motor vehicles which inventories new motor vehicles under  
6 the LIFO method for any specified taxable year, the re-  
7 quirements of paragraphs (1)(B) and (2) of section 473(c)  
8 of the Internal Revenue Code of 1986 shall be treated as  
9 satisfied with respect to such inventory for such taxable  
10 year.

11 (b) ADDITIONAL RELIEF.—

12 (1) IN GENERAL.—The Secretary shall, not  
13 later than the date which is 90 days after the date  
14 of the enactment of this Act, prescribe regulations or  
15 other guidance under which dealers of new motor ve-  
16 hicles with a qualified liquidation (determined after  
17 application of subsection (a)) of new motor vehicles  
18 for any specified taxable year may elect—

19 (A) to not recognize any income in the  
20 specified taxable year which is solely attrib-  
21 utable to such qualified liquidation, and

22 (B) to treat the replacement period with  
23 respect to such liquidation as being the period  
24 beginning with the first taxable year after such  
25 specified taxable year and ending with the ear-  
26 lier of—

1 (i) the first taxable year after such  
2 liquidation with respect to which such deal-  
3 er does not inventory new motor vehicles  
4 under the LIFO method, or

5 (ii) the last taxable year ending before  
6 January 1, 2026.

7 (2) FAILURE TO FULLY REPLACE LIQUIDATED  
8 VEHICLES DURING REPLACEMENT PERIOD.—If, as of  
9 the close of the replacement period, the taxpayer has  
10 failed to replace all liquidated vehicles with respect  
11 to a qualified liquidation to which paragraph (1) ap-  
12 plies, the taxpayer shall increase gross income for  
13 the last taxable year of the replacement period by  
14 the sum of—

15 (A) the aggregate amount of income that  
16 would have been required to be recognized in  
17 the liquidation year had the taxpayer elected to  
18 apply the provisions of section 473 of the Inter-  
19 nal Revenue Code of 1986 and not made the  
20 election in paragraph (1), plus

21 (B) interest thereon at the underpayment  
22 rate established under section 6621 of such  
23 Code.

24 (3) ELECTIONS.—

1 (A) IN GENERAL.—Except to the extent  
2 provided in subparagraph (B), an election  
3 under paragraph (1) with respect to any speci-  
4 fied taxable year shall be made by the due date  
5 (including extensions) for filing the taxpayer’s  
6 return of tax for such taxable year and in such  
7 manner as the Secretary may prescribe. Once  
8 made, any such election shall be irrevocable.

9 (B) CERTAIN ELECTIONS TREATED AS  
10 CHANGE IN METHOD OF ACCOUNTING.—In the  
11 case of an election with respect to a specified  
12 taxable year for which the return of tax has al-  
13 ready been filed before the date of the enact-  
14 ment of this Act, any election under paragraph  
15 (1) for such specified taxable year may be made  
16 on the return of tax for the first taxable year  
17 ending after the date of the enactment of this  
18 Act and shall be treated for purposes of section  
19 481 of the Internal Revenue Code of 1986 as  
20 a change in method of accounting initiated by  
21 the taxpayer and made with the consent of the  
22 Secretary.

23 (c) DEFINITIONS.—For purposes of this section—

24 (1) SPECIFIED TAXABLE YEAR.—The term  
25 “specified taxable year” means any liquidation year

1 ending after March 12, 2020, and before January 1,  
2 2022.

3 (2) NEW MOTOR VEHICLE.—The term “new  
4 motor vehicle” means a motor vehicle—

5 (A) which is described in section  
6 163(j)(9)(C)(i) of the Internal Revenue Code of  
7 1986, and

8 (B) the original use of which has not com-  
9 menced.

10 (3) SECRETARY.—The term “Secretary” means  
11 the Secretary of the Treasury or the Secretary’s del-  
12 egate.

13 (4) OTHER TERMS.—Except as otherwise pro-  
14 vided in this section, terms used in this section  
15 which are also used in section 473 of the Internal  
16 Revenue Code of 1986 shall have the same meaning  
17 as when used in such section 473.

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