

May 5, 2020

The Honorable Nancy Pelosi
Speaker of the House
United States House of Representatives
Washington, D.C. 20515

The Honorable Mitch McConnell
Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Kevin McCarthy
Republican Leader
United States House of Representatives
Washington, D.C. 20515

The Honorable Chuck Schumer
Democratic Leader
United States Senate
Washington, D.C. 20510

Dear Speaker Pelosi, Leader McConnell, Leader Schumer, and Leader McCarthy,

Thank you for your leadership in swiftly working to respond to the economic damage caused by the Coronavirus crisis through several pieces of legislation over the last several weeks.

As Congress continues to consider legislation in response to the crisis, we write to respectfully encourage you to prioritize legislation that would take into account the suddenly high volume of customer defaults on credit sales. Numerous industries often extend significant inventory sales or manufacturing inputs to customers on credit by convention, custom, and sometimes even regulation.

Many customers buy inventory or input materials on short-term credit terms, particularly business in the industries hit hardest by the COVID-19 crisis, like restaurants, retailers, and venues for sport, events, and entertainment. Current law does not contemplate the abrupt and unexpected halt in a high volume of payments for these credit sales all at once.

Over a broader period of time, section 166 of the tax code addresses this situation by allowing a deduction for wholly worthless debts or “bad debts.” However, the terms and timing of this provision allow it to be used only under certain circumstances – businesses must meet a nuanced facts-and-circumstances test that may take many years and in some cases may not be satisfied until a customer in default has reached a bankruptcy settlement.

Given the current public health and economic crisis, the value of this provision is severely limited in the event of the sort of sudden shock businesses face right now. Businesses selling inventory goods and input materials on credit are experiencing mounting defaults, and they will continue to experience defaults for months to come.

The undersigned businesses respectfully request that Congress pass a temporary legislative modification to account for this unforeseen event by loosening the facts-and-circumstances test on bad debt business deductions and accelerating these deductions into the present taxable year.

Sincerely,

Agricultural Retailers Association
Air Conditioning Contractors of America
American Bakers Association
American Supply Association
Auto Care Association
Convenience Distribution Association
Distilled Spirits Council of the United States
Equipment Marketing & Distribution Association
Foodservice Equipment Distributors Association
Independent Bakers Association
International Association of Plastics Distribution
International Foodservice Distributors Association
International Franchise Association
Irrigation Association
Material Handling Equipment Distributors Association
National Association of Wholesaler-Distributors
National Beer Wholesalers Association
National Confectioners Association
National Electrical Contractors Association
National Fastener Distributors Association
National Marine Manufacturers Association
National Ready Mixed Concrete Association
National Restaurant Association
National Roofing Contractors Association
Pet Industry Distributors Association
Produce Marketing Association
Professional Beauty Association
Retail Industry Leaders Association
Service Station Dealers of America and Allied Trades
Small Business & Entrepreneurship Council
Society of American Florists
The Aluminum Association
The Association for Hose and Accessories Distribution
Tire Industry Association
Wholesale Florist and Florist Supplier Association
Wine & Spirits Wholesalers of America
Wine Institute

cc: The Honorable Steny Hoyer, Democratic Leader
The Honorable James Clyburn, Democratic Whip
The Honorable Steve Scalise, Republican Whip
The Honorable Richard Neal, Chairman, House Ways and Means Committee
The Honorable Charles Grassley, Chairman, Senate Finance Committee
The Honorable Kevin Brady, Ranking Member, House Ways and Means Committee
The Honorable Ron Wyden, Ranking Member, Senate Finance Committee