TirePAC

The Political Action Committee for the Tire Industry

Dear TIA Member:

On behalf of the Government Affairs Committee we are pleased to announce that J. Dennis Hastert (third from left), former Speaker of the U.S. House of Representatives will be giving the keynote address at the Annual Honor Ceremony on November 3, 2014 at Caesars Palace in Las Vegas, kicking off the Global Tire Expo (GTE) week celebration.

From left to right: TIA Legislative Intern Roy Littlefield IV, TIA Executive Vice President Roy Littlefield, Congressman J. Dennis Hastert, and Congressman Al Wynn.

Speaker Hastert, an auto enthusiast, will speak on pending TIA legislative issues such as the effort to repeal the estate tax and the pending transportation infrastructure bill; and the need for small businesses to become actively involved in the legislative process.

J. Dennis Hastert, former Speaker of the U.S. House of Representatives, joined Dickstein Shapiro in 2008 as a member of the firm's Public Policy & Law Practice. Speaker Hastert served from January 6, 1999 until January 3, 2007 and was the longest-serving Republican Speaker in history. He was elected to the House in 1987 and served Illinois' 14th Congressional District.

During his 20 years in the House, Speaker Hastert focused his efforts on lowering taxes, improving education, strengthening Social Security and Medicare, and fortifying national defense efforts. He championed legislation to balance the federal budget, cut taxes and government waste, and clean up the environment. He also passed legislation to reduce government regulations in areas such as trucking and telecommunications in order to increase competition and consumer choice. His efforts also included energy development, telecommunications reform, and health care reform, which resulted in the development and implementation of Health Savings Accounts.
We look forward to hosting Speaker Hastert in Las Vegas!

Consider making a generous contribution of $50 or $100 to help us in the fight to protect our industry. If you wish to contribute, please send a personal check made out to TIA TirePAC and mail it to TIA's Executive Vice President Roy Littlefield at 1532 Pointer Ridge Place, Suite G, Bowie, MD 20716. We would also welcome a call to our office to pledge an amount (we will then invoice you), 800-876-8372. As a reminder, TirePAC can only accept personal checks made out to the TIA TirePAC or up to $200 in cash at the event.

If you are not already receiving the weekly legislative update or the monthly state newsletter, we encourage you to send the request to rlittlefield2@tireindustry.org to be added to the list, free of charge.

This year there will be many legislative battles on Capitol Hill affecting the tire industry that we will need your support on!

Sincerely,

Randy Groh
Government Affairs Committee

TirePAC

The Political Action Committee for the Tire Industry

BUY A SQUARE ON THE TIREPAC BOARD

Your support helps protect the future of the tire industry!

Contact information

Name ______________________________

Home Street Address ______________________________

City ______________________________ State ______________ Zip ______________

Country (other than US) ______________________________ Postal Code ______________

Company Name ______________________________

Occupation ______________________________

For just $25 per square, you could win:

First place - $500 cash
Second place - $250 cash
Third place - $100 cash

I would like to purchase:

- ❑ 1 square - $25
- ❑ 2 squares - $50
- ❑ 3 squares - $75
- ❑ 4 squares - $100

Desired numbers (1-100):______________________

Method of payment:

❑ Personal Check (payable to TirePAC) ❑ Cash

Please return this form and payment to:

TIA TirePAC
Attn: Roy Littlefield
1532 Pointer Ridge Place, Suite G
Bowie, MD 20716-1883

Only personal checks or cash are accepted. Corporate donations are prohibited by federal law. Contributions to TirePAC are for political purposes. All contributions to TirePAC are voluntary. Contributions to TirePAC are not deductible for federal income tax purposes.

Federal law requires TIA to use its best efforts to collect and report to the Federal Election Commission the name, mailing address, occupation and the employer's name of those whose contributions exceed $200 total in a calendar year. A copy of our report is filed with and available from the Federal Election Commission, 999 E. Street, NW, Washington, DC 20463, or at www.fec.gov.

TIA complies with all federal election laws and regulations concerning the solicitation and acceptance of PAC contributions, and all other aspects of PAC operations.

TIA CONTINUES TO RALLY BEHIND ESTATE TAX REPEAL

A major legislative push for TIA is to secure co-sponsors (a majority in the U.S. House of Representatives) for H.R. 2429, legislation to amend the Internal Revenue Code to repeal the estate, to repeal generation skipping transfer tax, and to make permanent the maximum 35% gift tax rate and a $5 million lifetime gift tax exemption. The battle has been uphill but we currently have 214 co-sponsors (211 Republicans and 3 Democrats).

TIA believes the estate tax is hurting family-owned businesses because the cost of the estate tax applies to property transferred at death when the value of the property exceeds the estate tax exemption. Much of the value of family-owned business is tied to illiquid assets such as land, buildings, and equipment. This can force the new owner to sell the businesses' assets to pay the tax.

For many family-owned businesses to keep operation after the death of the owner, they must plan for the estate tax. Planning costs associated with the estate tax are a drain on business resources, taking money away from the day to day operations and business investment. These additional costs make it more difficult for the business owner to expand and create new jobs. Protecting family business from the estate tax is important in order to keep these businesses operating for future generations.

The following is a list of current co-sponsors. If your congressman/congresswoman is not on the list, please help us in this major effort to add more signatures to the bill. If you make a call on behalf of your district, please let us know.

214 CO-SPONSORS (211 REPUBLICANS AND 3 DEMOCRATS)

Aderholt, Robert [R-AL4]
Amash, Justin [R-MI3]
Amodei, Mark [R-NV2]
Bachmann, Michele [R-MN6]
Bachus, Spencer [R-AL6]
Barletta, Lou [R-PA11]
Barr, Garland “Andy” [R-KY6]
Barton, Joe [R-TX6]
Benishek, Dan [R-MI1]
Bentivolio, Kerry [R-MI11]
Bilirakis, Gus [R-FL12]
Bishop, Rob [R-UT1]
Bishop, Sanford [D-GA2]
Black, Diane [R-TN6]
Blackburn, Marsha [R-TN7]
Boustany, Charles [R-LA3]
Bridenstine, Jim [R-OK1]
Brooks, Mo [R-AL5]
Brooks, Susan [R-IN5]
Broun, Paul [R-GA10]
Buchanan, Vern [R-FL16]
Bucshon, Larry [R-IN8]
Burgess, Michael [R-TX26]
Byrne, Bradley [R-AL1]
Calvert, Ken [R-CA42]
Campbell, John [R-CA45]
Carter, John [R-TX31]
Cassidy, Bill [R-LA6]
Chabot, Steve [R-OH1]
Chaffetz, Jason [R-UT3]
Coble, Howard [R-NC6]
Coffman, Mike [R-CO6]
Cole, Tom [R-OK4]
Collins, Chris [R-NY27]
Collins, Doug [R-GA9]
Conaway, Michael [R-TX11]
Cook, Paul [R-CA8]
Cotton, Tom [R-AR4]
Cramer, Kevin [R-ND0]
Crawford, Eric “Rick” [R-AR1]
Crenshaw, Ander [R-FL4]
Culberson, John [R-TX7]
Daines, Steve [R-MT0]
Davis, Rodney [R-IL13]
Denham, Jeff [R-CA10]
Dent, Charles [R-PA15]
DeSantis, Ron [R-FL6]
DesJarlais, Scott [R-TN4]
Diaz-Balart, Mario [R-FL25]
Duffy, Sean [R-WI7]
Duncan, Jeff [R-SC3]
Duncan, John “Jimmy” [R-TN2]
Ellmers, Renee [R-NC2]
Farenthold, Blake [R-TX27]
Fincher, Stephen [R-TN8]
Fitzpatrick, Michael [R-PA8]
Fleischmann, Charles “Chuck” [R-TN3]
Fleming, John [R-LA4]
Flores, Bill [R-TX17]
Forbes, Randy [R-VA4]
Foxx, Virginia [R-NC5]
Franks, Trent [R-AZ8]
Frelinghuysen, Rodney [R-NJ11]
Gardner, Cory [R-CO4]
Garrett, Scott [R-NJ5]
Gerlach, Jim [R-PA6]
Gibbs, Bob [R-OH7]
Gingrey, Phil [R-GA11]
Gohmert, Louie [R-TX1]
Goodlatte, Bob [R-VA6]
Gosar, Paul [R-AZ4]
Gowdy, Trey [R-SC4]
Granger, Kay [R-TX12]
Graves, Sam [R-MO6]
Graves, Tom [R-GA14]
Griffin, Tim [R-AR2]
Griffith, Morgan [R-VA9]
Guthrie, Brett [R-KY2]
Hall, Ralph [R-TX4]
Hanna, Richard [R-NY22]
Harper, Gregg [R-MS3]
Harris, Andy [R-MD1]
Hartzler, Vicky [R-MO4]
Hastings, Doc [R-WA4]
Heck, Joseph [R-NV3]
Hensarling, Jeb [R-TX5]
Herrera Beutler, Jaime [R-WA3]
Holding, George [R-NC13]
Hudson, Richard [R-NC8]
Huelskamp, Tim [R-KS1]
Huizenga, Bill [R-MI2]
Hultgren, Randy [R-IL14]
Hurt, Robert [R-VA5]
Jenkins, Lynn [R-KS2]
Johnson, Bill [R-OH6]
Johnson, Sam [R-TX3]
Jolly, David [R-FL13]
Jones, Walter [R-NC3]
Jordan, Jim [R-OH4]
Joyce, David [R-OH14]
Kelly, Mike [R-PA3]
King, Steve [R-IA4]
Kingston, Jack [R-GA1]
Kinzinger, Adam [R-IL16]
Kline, John [R-MN2]
Labrador, Raúl [R-ID1]
LaMalfa, Doug [R-CA1]
Lamborn, Doug [R-CO5]
Lance, Leonard [R-NJ7]

continued on page 4

214 CO-SPONSORS

continued from page 3

Lankford, James [R-OK5]
Latham, Tom [R-IA3]
Latta, Robert [R-OH5]
LoBiondo, Frank [R-NJ2]
Long, Billy [R-MO7]
Lucas, Frank [R-OK3]
Luetkemeyer, Blaine [R-MO3]
Lummis, Cynthia [R-WY0]
Marchant, Kenny [R-TX24]
Marino, Tom [R-PA10]
Massie, Thomas [R-KY4]
Matheson, Jim [D-UT4]
McAllister, Vance [R-LA5]
McCaul, Michael [R-TX10]
McClintock, Tom [R-CA4]
McHenry, Patrick [R-NC10]
McIntyre, Mike [D-NC7]
McKeon, Howard "Buck" [R-CA25]
McKinley, David [R-WV1]
McMorris Rodgers, Cathy [R-WA5]
Meadows, Mark [R-NC11]
Meehan, Patrick [R-PA7]
Messer, Luke [R-IN6]
Mica, John [R-FL7]
Miller, Candice [R-MI10]
Miller, Jeff [R-FL1]
Mullin, Markwayne [R-OK2]
Mulvaney, Mick [R-SC5]
Murphy, Tim [R-PA18]
Neugebauer, Randy [R-TX19]
Noem, Kristi [R-SD0]
Nugent, Richard [R-FL11]
Nunes, Devin [R-CA22]
Nunnelee, Alan [R-MS1]
Olson, Pete [R-TX22]
Palazzo, Steven [R-MS4]
Paulsen, Erik [R-MN3]
Pearce, Stevan "Steve" [R-NM2]
Perry, Scott [R-PA4]
Petri, Thomas "Tom" [R-WI6]
Pittenger, Robert [R-NC9]
Pitts, Joseph [R-PA16]
Poe, Ted [R-TX2]
Pompeo, Mike [R-KS4]
Posey, Bill [R-FL8]
Price, David [D-NC4]
Price, Tom [R-GA6]
Radel, Trey [R-FL19]
Reed, Tom [R-NY23]
Reichert, David [R-WA8]
Renacci, James [R-OH16]
Ribble, Reid [R-WI8]
Rice, Tom [R-SC7]
Roby, Martha [R-AL2]
Roe, David "Phil" [R-TN1]
Rogers, Harold "Hal" [R-KY5]
Rogers, Mike [R-AL3]
Rokita, Todd [R-IN4]
Rooney, Thomas [R-FL17]
Roskam, Peter [R-IL6]
Ros-Lehtinen, Ileana [R-FL27]
Ross, Dennis [R-FL15]
Rothfus, Keith [R-PA12]
Runyan, Jon [R-NJ3]
Salmon, Matt [R-AZ5]
Scalise, Steve [R-LA1]
Schock, Aaron [R-IL18]
Schweikert, David [R-AZ6]
Scott, Austin [R-GA8]
Sensenbrenner, James [R-WI5]
Sessions, Pete [R-TX32]
Shimkus, John [R-IL15]
Shuster, Bill [R-PA9]
Simpson, Michael "Mike" [R-ID2]
Smith, Adrian [R-NE3]
Smith, Jason [R-MO8]
Smith, Lamar [R-TX21]
Southerland, Steve [R-FL2]
Stewart, Chris [R-UT2]
Stivers, Steve [R-OH15]
Stockman, Steve [R-TX36]
Stutzman, Marlin [R-IN3]
Terry, Lee [R-NE2]
Thompson, Glenn [R-PA5]
Thornberry, Mac [R-TX13]
Tipton, Scott [R-CO3]
Turner, Michael [R-OH10]
Valadao, David [R-CA21]
Wagner, Ann [R-MO2]
Walberg, Tim [R-MI7]
Walden, Greg [R-OR2]
Walorski, Jackie [R-IN2]
Weber, Randy [R-TX14]
Webster, Daniel [R-FL10]
Wenstrup, Brad [R-OH2]
Westmoreland, Lynn [R-GA3]
Whitfield, Ed [R-KY1]
Williams, Roger [R-TX25]
Wilson, Joe [R-SC2]
Wittman, Robert [R-VA1]
Womack, Steve [R-AR3]
Woodall, Rob [R-GA7]
Yoder, Kevin [R-KS3]
Yoho, Ted [R-FL3]
Young, Don [R-AK0]
Young, Todd [R-IN9]

TIA SET THE RECORD STRAIGHT FOR RETREADERS

A new interpretation of a decades old revenue ruling resulted in the IRS sending out 10 field agents to crack down on retreaders who were not paying a FET on imported casings that were being retreaded.

Within two weeks, five TIA members contacted the Association office because they were being investigated by the IRS and were facing significant fines and tax bills.

TIA immediately contacted the IRS and presented a long history of rules, regulations, and revenue rulings. On May 19, the IRS contacted TIA and confirmed that they had reviewed and ultimately reversed their earlier action and released the affected retreaders from any liability.

The confusion resulted from an interpretation of a revenue ruling that spelled out that imported casings suitable for road use should be taxed. They interpreted that a retreaded tire was suitable for road use and was therefore subject to the new FET because it had not been previously taxed.

The Association had worked on a revenue ruling that clearly stated that an imported casing not suitable for use would be considered a raw material to be used in the retread process and would not be subject to the FET.

The Association hopes that the IRS has put this issue to rest but if any retreader is approached by an IRS field agent on this issue, please contact Roy Littlefield at the Association office for assistance.

TIA CONTINUES TO URGE THE FTC TO TAKE ACTION AGAINST KIA

The Tire Industry Association, The Auto Care Association, Automotive Oil Change Association, and Service Station Dealers of America joined forces to call on the Federal Trade Commission (FTC) to take immediate action to have Kia withdraw a technical bulletin warning consumers not to use non-OEM filters, which is clearly a violation of the Magnuson-Moss Warranty Act (MMWA).

The bulletin, which was referenced in an article posted by *Consumer Reports*, recommended that car owners either go back to the authorized dealer or use a Kia oil filter to avoid problems with oil- and filter-related warranty claims.

Two years ago, the four associations submitted a complaint to the FTC regarding a technical service bulletin from Kia that authorizes dealers to deny warranty coverage simply based on the use of an aftermarket filter without any determination that the filter actually caused the problem with the vehicle. The letter pointed out the fact that this practice is clearly a violation of the MMWA. Specifically, the letter stated:

The MMWA manufacturer's burden of proof is not that it need merely show an aftermarket part "relates" to damage, but that it "caused" any alleged damage. As the FTC states in its consumer alert: "The Magnuson-Moss Warranty Act makes it illegal for companies to void your warranty or deny coverage under the warranty simply because you used an aftermarket or recycled part." The alert goes on to say that if there is a problem with use of an aftermarket part or how it was installed, the manufacturer or dealer may deny a warranty claim. However, the manufacturer must first "show that the aftermarket or recycled part caused the need for repairs before denying warranty coverage." Kia's directives circumvent this process entirely: the mere presence of an aftermarket oil filter automatically voids warranty coverage for the oil change parts and services as well as any damage Kia says "relates" to oil filter function.

The May 27, 2014 letter to the FTC states, "Despite the complaint, the FTC has yet to do anything to enforce the MMWA requirements with Kia. Now, *Consumer Reports* (CR) is further promoting the Kia technical bulletin in an article that has been seen on the Yahoo's front page, as well as other locations. If there was any doubt about how the technical bulletin is being interpreted by consumers, one only needs to read the recommendations from CR for motorists with Kia vehicles under warranty."

The *Consumer Reports* article states:

1. When dropping your car off for service, make sure you don't authorize the dealer to perform repairs without speaking with you first. This way you won't get a surprise bill for an oil and filter change.
2. If your Kia is still under the powertrain warranty, considering taking it to the dealer for oil changes. Yes, it probably costs more than the quick-lube store, but you'll avoid any potential problems with oil- and filter-related warranty claims.
3. Consider buying Kia-approved oil filters and either using them when you do your own oil changes, or have your mechanic or quick-lube store use the Kia filter and not their own.

The letter to the FTC also states, "Note that CR is specifically recommending that car owners either go back to the authorized dealer or use a Kia oil filter in direct contravention of the consumer options codified in MMWA. To arrive at that recommendation, the report perpetuates Kia's sleight of hand regarding the manufacturer's burden of proof. In Kia's world, and now CR's as well, it is the consumer who must prove that an aftermarket filter didn't cause engine damage, which is exceptionally handy for Kia given their failure to establish a technical basis for their proprietary filter mandate."

"The main loser of course is the consumer who, as the CR article states, must now pay more for an oil change. While CR clearly should have done more to research this issue before publishing the article, the fact remains that the FTC failed to undertake its responsibilities under the law and take action to halt Kia's anticompetitive and anti-consumer actions. The absence of action by the Commission is now cascading, as evidenced by the CR posting, into additional misinformation to consumers and subsequently more harm to Kia owners and to those who service and supply parts for Kia vehicles."

TIA SUPPORTS AMERICA'S SMALL BUSINESS RELIEF ACT OF 2014

TIA has written to members of Congress in strong support of H.R. 4557, the "America's Small Business Relief Act of 2014." This vital legislation would restore the small business expensing-sometimes called Section 179 expensing-level to $500,000, including limited improvements to real property and permanently index the level to inflation.

continued on page 6

SMALL BUSINESS RELIEF ACT

continued from page 5

Small business expensing allows business owners to immediately deduct the cost of a qualified investment in the year that it is purchased, rather than being forced to depreciate the cost of the investment over time. Since 2003, Congress has steadily increased the amount of investment that small businesses can expense from $25,000 to $500,000. Support for this expansion has been long-standing, bipartisan and widespread. Legislation expanding and/or extending small business expensing has been enacted eight times, across two Presidential Administrations and six Congresses, under both Democratic and Republican leadership. These higher expensing limits were temporary, however, and beginning in 2014 they reverted back to $25,000 and will remain there unless Congress acts.
While expensing provides important relief to small business owners, it is not a "tax cut" or a "tax loophole." Small business expensing simply gives companies the ability to recover the cost of investing in their own businesses more quickly than if they use depreciation. Expensing does not lead to a loss of revenue to the government over the lifetime of an investment-it is not a matter of if revenue is collected, but when. Additionally, small business expensing is available to all small businesses that purchase less than a specified amount of equipment each year.

Small business expensing gives business owners the ability to maximize investment in their companies during years when they have positive cash flow. This provides an incentive for small business owners to reinvest in their businesses, which fuels expansion, growth and jobs. This is particularly important for small businesses because they are more sensitive to problems related to cash flow, and are more reliant on earnings to finance new investment, than larger firms. Additionally, small business expensing simplifies record-keeping and paperwork. Under standard depreciation, small business owners must keep records of, and file tax paperwork associated with, their investments for up to 40 years. According to a 2007 Internal Revenue Service (IRS) study, each small business devotes, on average, about 240 hours complying with the tax code, and spends over $2,000 in tax compliance costs each year. An overwhelming share of the time burden is due to record-keeping. Furthermore, high tax compliance costs consistently rank as a top concern of small business owners, and act as a drag on investment, growth and innovation. Small business expensing, as the Joint Committee on Taxation (JCT) notes, reduces the compliance burden for many taxpayers, freeing up time and resources to better devote to their businesses.

U.S. Congressman Steny Hoyer (D-MD) looks to TIA and Roy Littlefield to better understand small business issues and concerns.

The roller-coaster, ad-hoc changes in the level of small business expensing, which have often been enacted retroactively in recent years, has greatly contributed to uncertainty and prevented long-term planning. Making the higher small business expensing limits permanent and predictable would greatly reduce uncertainty and reduce the incidence of tax policy driving business decisions.

Passage of legislation permanently expanding small business expensing to $500,000 will increase investment and jobs, reduce complexity and paperwork and alleviate uncertainty. These are critical issues for small businesses, which continue to experience a challenging business climate in the face of a stagnant economic recovery. TIA urges all Members of Congress to support this important legislation.

TRANSPORTATION FUNDING

The roads are falling apart, the potholes aren't getting filled, and the nation's highway support system is going broke. With Congress and the Administration struggling to address long-term budgetary challenges, the nation's infrastructure continues to decline. Over the past 5 years, Congress has passed 27 short term "band aids" to temporarily fund the highways, but has failed to pass a long term bill.

Currently the President, Senate, and individual House members all have proposed different bills. The Highway Trust Fund is on track to run out of funds this summer and the outlook for current surface transportation legislation is uncertain.

The what-to-do and how-to-do-it questions invite complex and diverse answers. House Republicans this recently introduced a bill that cuts about $1.8 billion from current spending. The $302 billion Obama administration plan would permit $150 billion more in spending than the gas tax will bring into the trust fund. Members of Congress seem to be at odds when it comes to what should be funded and by how much.

Secretary of Transportation, Anthony Foxx believes this is a dire moment and that the Congress must come together to fund a long term proposal. With the highway trust fund projected to run out of money by July of this year, soon the federal government will lose the ability to fund state and local projects. Secretary Foxx made it very

continued on page 7

TRANSPORTATION FUNDING

continued from page 6

clear that he was not in favor of a gas tax increase, feeling that funding must come from another source such as business tax reform.

Yet, many proposals on the Hill still favor a sizeable gas tax increase, feeling that because the system for collection is already in place, funds are most easily assessable this way. The problem is, a gas tax increase alone won't fix the problem, and it certainly won't fix the highways. Because ports, rails, and other alternative transportation outlets are also receiving funding from the federal government. Currently, only a percentage of funds raised from the gas tax actually fund the highways. This type of diversion has caused for the Highway Trust fund to bankrupt itself. Although it has been years since a long term bill has been reached, Secretary Foxx does not seem optimistic about Congress coming together on a proposal.

Republicans and the Obama administration have opposed the idea of a gas tax increase, fearing that this could hurt their interests as drivers are filling up in an election year. No one facing reelection in less than six months wants to have on their voting record that they voted for a federal gas tax increase. Some in Congress have called for other types of funding that would come in the form of business tax reform; although it is unclear what this type of reform would look like. The Obama administration spending plan also includes the concept of allowing states to impose tolls on interstate highways. Many still believe the president's proposal does not adequately address the issue of long term funding.

Currently, the transportation trust fund is mainly funded by the revenue collected from the 18.4-cents-per-gallon federal gas tax. Some make the case that the gas tax has not been increased since 1993 and receipts are being outpaced by infrastructure expenses by an estimated $20 billion per year. This is problematic because currently the gas tax brings in about $34 billion a year, while currently funding proposals call for about $54 billion in road and transit spending.

Those in favor of a gas tax hike argue that is the most feasible and quick-fix option to avoid a scenario where states are forced to suspend summer-season construction projects for lack of federal dollars. Essentially, to make up for the needed revenue, Congress can either drastically hike the federal gas tax or find funding elsewhere. It has been estimated that the federal gas tax would have to be raised to 31 cents per gallon from the current 18.3 cents per gallon in 2015 and increased thereafter in order for the Highway Trust Fund to keep up with projected transportation funding needs, without new revenue sources. Most polls have shown that a majority of Americans oppose a gas tax increase.

The members of Congress can argue about what they want funded and for how long, but unless they find a viable income to fund transportation, we can only expect another band aid rather than a much needed long

Former Governor of Pennsylvania and current co-chairman of Building America's Future, Ed Rendell, meets TIA legislative intern

term solution. America must remain competitive by expanding, upgrading, and properly funding its national highway system. Over the next several weeks, we'll be turning up the heat on Congress.

A variety of other options have kicked around Congress for years, but few have gained much traction. The White House has proposed an expansion of transportation spending using money gained through corporate tax reform, a notion that rarely comes up unless an administration advocate is present.

The Senate Finance Committee's two top lawmakers said they want to fashion a short-term cash infusion for the U.S. Highway Trust Fund that will keep road and bridge projects going while Congress works on longer-term legislation.

The latest funding proposal being floated in the House of Representatives is to:

1. Keep all existing taxes at their current rates;
2. Reduce daily mail deliveries to 3 days a week;
3. Put the cost savings of fewer mail deliveries toward the Highway Trust Fund.

As Congress considers future transportation funding, clearly all options remain in contention.

ANOTHER WOTC UPDATE

Last month, we informed you of Ways and Means Chairman Dave Camp's plan to review each tax extender one-by-one, followed by an up or down vote on a bill to permanently extend or repeal the extender. This process includes WOTC, which Chairman Camp opposes renewal of, so we launched a lobbying campaign with a goal of winning a

continued on page 8

ANOTHER WOTC UPDATE

continued from page 7

super majority of Ways and Means Republicans for permanent WOTC when the decisive vote is taken. That vote will determine the policy of the Republican House in next year's tax reform bill, and if the vote is against WOTC, it will be next to impossible to reverse in the House. We could go into a Senate-House conference on tax reform with the House opposed to renewal and, should Republicans capture the Senate in November, our Democratic support there neutralized.

Till now, Chairman Camp has followed his game plan. Of seven tax extenders the Chairman and Republican majority of the Committee have decided to make permanent, the research and experimentation tax credit (R&E) heads the list. The Ways and Means bill extending this credit was passed by the House after two days of debate a week ago.

Afterward, the White House threatened to veto the R&E bill because, it said, permanent R&E should be realized only in corporate tax reform, when money will be available to fund R&E and similar extenders to be made permanent by cutting other credits and deductions, mainly international; as corporate tax reform isn't on the table now, enacting a costly R&E bill at this time isn't in order, says the White House.

Chairman Camp still wants to move a bill making Section 179 expensing increases permanent, but perhaps because of the bruising two-day battle on R&E in the House last week when the Republican coalition split, or because of the President's veto threat, or because members would be forced to vote once again on a bill that adds to the deficit, House leaders have decided to change course and not vote on the six remaining bills to make particular extenders permanent.

This can happen in June or July-time is growing short for our lobbying Ways and Means Republicans so it's urgent we re-double our efforts. Everyone must do their part; this cannot be left to Washington people alone-Ways and Means Republicans must hear from their states or districts. To assure WOTC survives, it's imperative we go the extra mile-company CEO's and heads of disability, veterans, and community organizations should meet with Ways and Means Republicans in states where they operate, and explain how nearly a million targeted workers a year are finding jobs, earning wages, and paying taxes-raising them and their families out of poverty and off welfare and food stamps, saving government money-while employers' extra cash flow from the credits gets plowed back into state and local economies and boosts their well-being.

Meetings should be followed up by more contacts as the day of voting draws near, until the congressperson makes a decision whether to be for WOTC or against it. So far only two Ways and Means Republicans are WOTC supporters, Congressman Aaron Schock of Illinois and Congresswoman Lynn Jenkins of Kansas; they need not be contacted. Chairman Camp is against WOTC, and remaining Committee Republicans are uncommitted.

TIA REMAINS INVOLVED IN LIFO REPEAL DEBATE

Recently, TIA representatives participated in a Capitol Hill briefing session to the staff of the House Ways and Means Committee to oppose proposals to repeal the LIFO method of inventory valuation.

TIA is responding to the suggestion that the LIFO method be repealed as part of fundamental tax reform - the premise being that certain corporate tax expenditures should be eliminated from the Internal Revenue Code in exchange for a reduction in the corporate income tax rate to somewhere between 25 and 30 percent, from its current 35 percent rate.

Every company that maintains an inventory of merchandise needs to distinguish the cost of merchandise that has been sold from the cost of merchandise that remains on hand at the end of the year. However, given the tens of thousands of items in a typical inventory, there is no administratively feasible way to track the movement of individual items of physical inventory. This gives rise to the need for every company to adopt some type of inventory ordering and valuation convention. The three generally accepted methods of determining the identity and cost of inventory are FIFO, LIFO, and average cost. These alternative methods have each been acceptable for federal income tax purposes for decades. Repealing LIFO, while leaving the FIFO and average cost inventory ordering conventions in the tax code, would be extremely unfair and would penalize industries that experience inflation.

Some proponents of LIFO repeal have questioned the foregoing premise and note that companies rarely follow a pattern of retaining their oldest inventory and selling the newest inventory first. However, that comment ignores the fundamental purpose of LIFO, which has nothing to do with the physical tracking of goods. Of course, no company is actually holding inventory from 30 or 40 years ago. That is not the point of LIFO. The policy underlying LIFO is to preserve capital (through reduced taxes) in order to enable a company to replace the inventory that it has sold, when the cost of the replacement goods exceeds that of the goods that have been sold. As the maxim is frequently observed "most companies have their entire profit tied up in inventory." Taxing that company's inventory profit when a company still has that profit invested in its inventory will simply erode a company's capital and force it to reduce the scale of its operations. That is hardly the result intended by fundamental tax reform.

TIA believes that there are several problems with the application of retroactivity in the case of LIFO repeal.

First, from an economic point of view, most companies have used the LIFO method for many years, some for as long as five or six decades. As a result, the cumulative effect of inflation on the value of a company's inventory has resulted in a LIFO reserve build-up that is so significant that it could well exceed the company's entire taxable

continued on page 9

LIFO REPEAL DEBATE

continued from page 8

income for a year, if not its total net worth.
Proponents of LIFO repeal have suggested that the combination of lower corporate tax rates, in conjunction with an eight-year spread of the resulting adjustment to income, would provide an adequate offset to the burden imposed by the additional tax liability accompanying the recapture of a company's existing LIFO reserve. However, for the overwhelming majority of LIFO users, especially small and mid-sized businesses, that is simply not the case.

In fact, the recapture tax on the LIFO reserve built up in prior years will be enormous for most companies. An eight-year spread of a tax liability that no one was expecting to pay until a revenue event occurred, i.e., a company was sold or went out of business, does not create any additional source of capital to enable a company to pay the unexpected tax, regardless of how many years are provided in transition relief. Furthermore, the overwhelming majority of LIFO users are not C Corporations, but pass-through entities that pay taxes on the individual side of the tax code. While The LIFO Coalition supports the effort to pursue comprehensive reform that lowers both the individual and corporate rates, it remains far less than certain that Congress will be able to lower both tax regimes to the same rate. The revenue to finance lower rates for taxpayers subject to individual tax rates will come from such politically sensitive deductions as the home mortgage interest deduction and the charitable contribution deduction. If the political opposition to repealing such individual deductions proves insurmountable, the result will be an individual income tax rate measurably higher than the corporate rate. The hundreds of thousands of pass-through entities that use the LIFO method would be doubly harmed by reform that repeals LIFO, while leaving them with a tax rate higher than C Corporations would be paying.

Thus, most companies would face a crippling retroactive tax bill with no inventory sale to generate the cash flow with which to pay it. As a result, repeal would force companies to take economic action to generate sufficient cash flow to pay the retroactive tax bill. The actions that a company would be required to take to generate the necessary cash flow to pay the taxes would have an inescapable adverse impact on the economy. Companies have told us that they would have to generate cash by canceling planned capital investments, canceling or postponing expansions, postponing hiring or reducing their workforce, and/or discontinuing funding of employee 401(k), health care plans or ESOPs - all producing economic contraction and job loss. It bears repeating here that for the overwhelming majority of LIFO users, especially the small and mid-sized companies, no income tax rate reduction will offset the harm of LIFO repeal.

The economic domino effect is likely to reach consumers as well. LIFO usage is product-driven, and manufacturers, wholesaler-distributors and retailers of those products could all put upward pressure on prices to raise revenue in order to pay the recapture tax.

TIA's Roy Littlefield meets with Congressman Chris Van Hollen (D-MD).

Small and mid-sized companies that can't raise prices and still remain competitive could well be forced to simply close their doors – a result that was predicted by the Small Business Administration Office of Advocacy in LIFO repeal.

Finally, and perhaps most importantly, it should be noted that the repeal of LIFO with a full "recapture tax" is uniquely retroactive from the standpoint of fairness. That is because companies that have properly and legally used LIFO for many decades would be required to recalculate their earnings for all the years they have valued their inventory using LIFO and pay taxes as if LIFO had never been permitted in the tax code. It is this required pay-back of prior tax benefits that most clearly distinguishes full LIFO repeal from other provisions that have been criticized for their retroactivity and that makes repeal so much more objectionable even than those provisions.

As a separate and final matter, some proponents of LIFO repeal, including the Obama Administration, assert that the forthcoming adoption of International Financial Reporting Standards (IFRS) by the U.S. will ultimately have the effect of repealing LIFO through the back door application of the LIFO conformity requirement. These proponents assert that since LIFO is not permitted under IFRS, Congress may as well claim credit for the revenue that will be generated by the adoption of IFRS and the repeal of LIFO through the application of the LIFO conformity requirement. If that analysis was ever valid, it has long passed into obsolescence. All of the recent indications from the U.S. Securities and Exchange Commission (SEC) are that if IFRS is ultimately adopted in the U.S., the version that will be adopted will follow the pattern of recent adoptees and permit individual country exceptions for accounting principles that are unique to the financial reporting fabric of the adopting country. Since LIFO has long been a part of U.S. generally accepted accounting principles, it is expected that the use of LIFO will continue to U.S. companies' financial reporting.

continued on page 10

LIFO REPEAL DEBATE

continued from page 9

TIA continues to argue that the harm that repeal of LIFO will cause companies that are denied its use cannot be ignored by Congress, nor can the collateral damage that a retroactive tax hike would cause. The quest for new revenue that has put LIFO repeal into the tax reform cross-hairs could well be short-sighted: companies that cease investing, expanding or hiring slow the economic growth that generates tax revenue, and companies that close their doors and workers who lose their jobs pay no income taxes. A slower economy, fewer jobs, and potentially much less revenue than estimated are all likely results of LIFO repeal, regardless of the offsetting benefits from lower rates.

TIA urges the Ways and Means Committee to eliminate LIFO repeal from consideration in their tax reform effort. LIFO is not a tax expenditure and therefore should not be considered a source of revenue for tax reform. Furthermore, its use does not distort income as some have suggested, but most accurately reflects income to create after-tax earnings sufficient for a company to purchase replacement inventory and remain in business. Without question, LIFO repeal would be an economic disaster.

You can help sustain this momentum!

We need to build on the current momentum to reinforce the growing opposition to LIFO repeal. You can help with this effort:

1. Determine whether the members of Congress who represent the districts in which you have operations signed the Lankford-Thompson letter (the signatures are on the copy of the letter itself, and a list of those who signed is pasted below.
2. If they did sign it, please send an email message to their offices thanking them for signing the letter.
3. If they did NOT sign it, please send them a message asking them why they did NOT do so and affirming the importance of LIFO to your company.

You can identify the districts in which your facilities are based, and send email messages to the appropriate Representatives, by calling Legislative Intern, Roy Littlefield or me at the TIA Office. We will provide you the contact information for members of Congress.

It won't take more than a couple minutes of your time. Thank those who signed the Lankford-Thompson letter, and ask those who did not sign it why they did not do so and urge them to oppose repeal. It will have a huge impact if members of Congress continue to hear from impacted constituent businesses about the importance of LIFO. The list of members who signed the letter is below.

REPUBLICANS AND DEMOCRATS WHO SIGNED THE LETTER

Republicans

Barletta (PA)
Barr (KY)
Bentivolio (MI)
Bishop (UT)
Blackburn (TN)
Calvert (CA)
Capito (WV)
Carter (TX)
Cassidy (LA)
Chaffetz (UT)
Coble (NC)
Cole (OK)
Conaway (TX)
Cramer (ND)
Daines (MT)
Denham (CA)
Dent (PA)
Duffy (WI)
Duncan (TN)
Farenthold TX)
Fincher (TN)
Fleischmann (TN)
Flores (TX)
Franks (AZ)
Gibbs (OH)
Gibson (NY)
Gosar (AZ)
Guthrie (KY)
Hall (TX)
Hudson (NC)
Hultgren (IL)
Hunter (CA)
Johnson (OH)
Jolly (FL)
Joyce (OH)
King (IA)
Lamborn (CO)
Lance (NJ)
Lankford (OK)
Latham (IA)
Latta (OH)
Long (MO)
Luetkemeyer (MO)
Marino (PA)
McKinley (WV)
Olson (TX)
Palazzo (MS)
Petri (WI)
Pittenger (NC)
Poe (TX)
Pompeo (KS)
Ribble (WI)
Ross (FL)
Salmon (AZ)
Sensenbrenner (WI)
Shimkus (IL)
Smith, Lamar (TX)
Southerland (FL)
Stivers (OH)
Stockman (TX)
Terry (NE)
Thornberry (TX)
Tipton (CO)
Wagner (MO)
Weber (TX)
Wenstrup (OH)
Whitfield (KY)
Williams (TX)
Wilson (SC)
Yoder (KS)
Young (AK)

Democrats

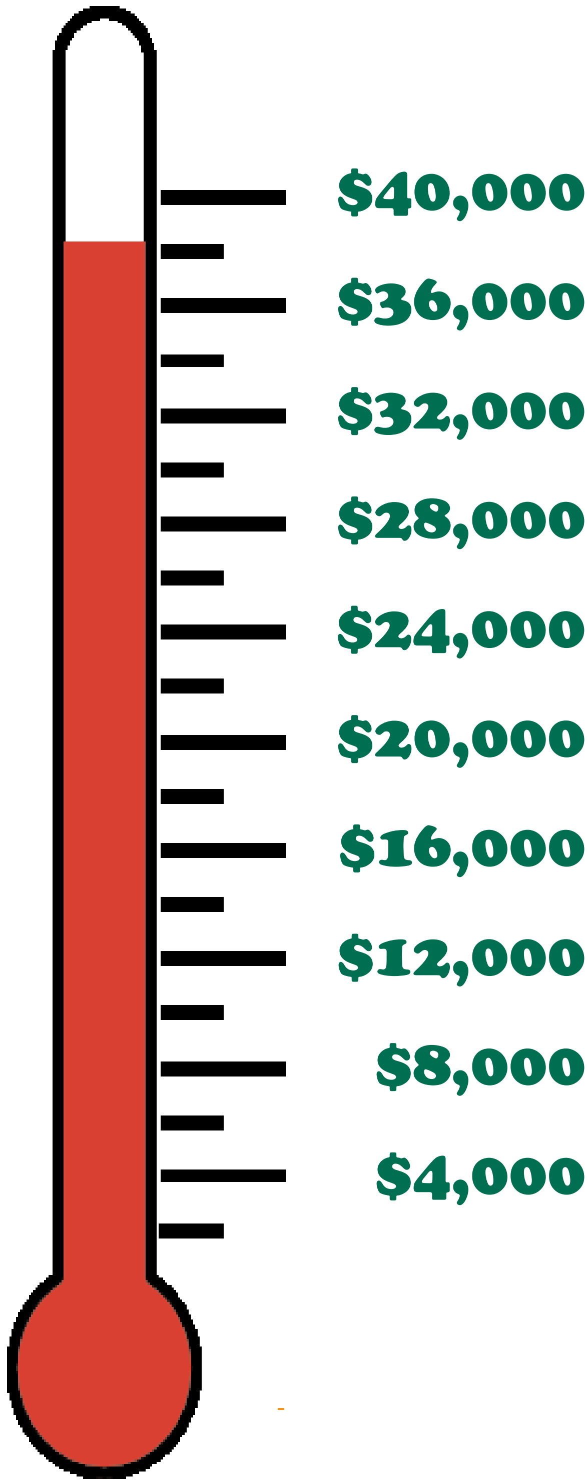
Barrow (GA)
Bera (CA)
Braley (IA)
Costa (CA)
Cuellar (TX)
DelBene (WA)
Duckworth (IL)
Etsy (CT)
Gallego (TX)
Garamendi (CA)
Green, Gene (TX)
Hinojosa (TX)
Huffman (CA)
Israel (NY)
Jackson Lee (TX)
Kelly, Robin (IL)
Kind (WI)
Kuster (NH)
Larson (CT)
Lipinski (IL)
Loebsack (IA)
Maloney, Sean (NY)
Matheson (UT)
Neal (MA)
Pascrell (NJ)
Peters (CA)
Peters (MI)
Peterson (MN)
Quigley, Mike (IL)
Richmond (LA)
Ruppersberger (MD)
Ryan, Tim (OH)
Sanchez, Linda (CA)
Sanchez, Loretta (CA)
Schneider (IL)
Scott (GA)
Swalwell (CA)
Thompson (CA)
Titus (NV)
Vargas (CA)
Veasey (TX)
Yarmouth (KY)

TIA would like to recognize and thank all individuals who have contributed to the 2014 TirePAC fundraising campaign.

Goal of $40,000

Raised to date: $38,384.43

Al Atkinson
Gary Albright
Mike Baggett
Michael Berra
Tim BeVier
Marty Bezbatchenko
Bob Bignell
Anthony Blackman
Freda Pratt-Boyer
Marvin Bozarth
Larry Brandt
Dean Bray, Jr.
Ken Brown
Dennis Bull
Bill Burns
Ken Burton
Charles Cannon
Ernie Caramanico
Dave Caruso
Lyssa DaCosta
Joseph P. Danules
Dick Dempster
Lee Demis
John Derringer
Kevin Dice
Jim Donohue
Paul Dvorak
Tom Formanek
Robert Frick
Linda Griffin
Randall Groh
David Grubb
Peter H. Gunst
Richard “Dick” Gust
Robert A. Hendry
Joseph M. Henmueller
Reece Hester
John “Jay” Huff
Todd Huff



Keith Jarmin
Tom Klinge
Michael Lampe
Dr. Roy Littlefield
Edwin D. Mann, Jr.
David Martin
Brett Matschke
Jim Melvin, Jr.
Melissa Minks
Shawn T. Monahan
Philip Muller
Anthony Nastus
Glen Nicholson
Brian Oesterreicher
Ross Ormesby
Catherine Pearen
Mike Poiriek
Brian Rigney
Daniel C. Rose
Peter Ryan
Chris Rule
Jon Schadl
Tobin Sexton
Jane Space
Walt Sudderth
Jason Takash
John Tomins
John Trudell
Adam Turner
Cesar Vallarino
Matthew J. White
Rick Williams
Matt White
Mike Wolfe
Andy Yelton
Bob Youell
John R. Zentz
Steve Zimmerman
Stu Zurcher

TirePAC Prior Approval Form

Federal law requires that the Tire Industry Association (TIA) receive your company's permission before we solicit your officers and employees for contributions to TIA's TirePAC, our federal political action committee. This *Prior Approval Form* is not a solicitation and does not obligate you (or other officers or employees of your company) to contribute to TirePAC, and does not in any way limit contributions you may make to political candidates or parties. However, your company may not provide authorization (to solicit your officers and employees for federal PAC contributions) to more than one trade association in the same calendar year. As indicated below, solicitation authorization may be given to TIA for more than one year in advance. Please complete the form, signing for each year you are providing authorization, and promptly mail or fax it to the address or number shown below.

For federal campaign contributions only, I understand that my company's approval is necessary before TIA may solicit contributions from my company's officers and employees to TirePAC, and understand that my company may not authorize federal PAC solicitations by more than one trade association in the same calendar year. By my signature below, I hereby provide authorization to TIA to solicit my company's officers and employees for voluntary contributions to TirePAC during the calendar years so indicated:

Contact Information *(Please PRINT clearly)*

Name ____________________

Title ____________________

Company Name ____________________

Company Address ____________________

City ____________________ State __________ Zip+4 ____________

Country (other than U.S.) ____________________ Postal Code ____________

Phone ____________________ Fax ____________________

E-mail ____________________ Website ____________________

Please sign below to authorize for one year, or up to five years:

Authorizing Signature Required for 2014 ____________________

Authorizing Signature Required for 2015 ____________________

Authorizing Signature Required for 2016 ____________________

Authorizing Signature Required for 2017 ____________________

Authorizing Signature Required for 2018 ____________________

By Mail:

TIA TirePAC
Attention: Roy Littlefield
1532 Pointer Ridge Place, Suite G
Bowie, Maryland 20716-1883

By Fax:

301-430-7283

TIRE INDUSTRY ASSOCIATION
TIRE SAFETY STARTS HERE.

TIREPAC ENROLLMENT FORM

TIRE INDUSTRY ASSOCIATION
TIRE SAFETY STARTS HERE.

Yes, I want to join TirePAC to help protect the future of my business and the tire industry!

CONTACT INFORMATION (please print)

Name ______________________________

Home Street Address ______________________________

City ____________________ State __________ Zip+4 __________

Country (other than U.S.) ____________________ Postal Code __________

Company Name ______________________________

Occupation ______________________________

SUGGESTED CONTRIBUTION LEVELS FOR 2014

❑ $25 ❑ $50 ❑ $100 ❑ $250 ❑ $500 ❑ Other __________

METHOD OF PAYMENT

❑ Check (make payable to TirePAC) ❑ VISA ❑ MasterCard ❑ AMEX

Credit Card Number ____________________ Expiration Date __________

Card Holder Name (please print) ______________________________

Card Holder Signature ____________________ Date __________

Please mail this form to: TIA TirePAC
Attn: Roy Littlefield
1532 Pointer Ridge Place, Suite G
Bowie, MD 20716-1883

or fax to: 301-430-7283

Only **personal checks** and **personal credit cards** are accepted. Corporate donations are prohibited by federal law.

Payment guidelines are merely suggestions, and you may contribute more or less than the guidelines suggest. TIA will not favor or disadvantage anyone by reason of the amount contributed or a decision not to contribute.

Contributions to TirePAC are for political purposes. All contributions to TirePAC are voluntary, and pledges can be revoked at any time prior to the time at which contributions are made. Contributions to TirePAC are not deductible for federal income tax purposes.

Federal law requires TIA to use its best efforts to collect and report to the Federal Election Commission the name, mailing address, occupation and the employer's name of those whose contributions exceed $200 total in a calendar year.

A copy of our report is filed with and available from the Federal Election Commission, 999 E. Street, NW, Washington, DC 20463, or at www.fec.gov.

TIA complies with all federal election laws and regulations concerning the solicitation and acceptance of PAC contributions, and all other aspects of PAC operations.

GLOBAL TIRE EXPO
POWERED BY TIA
THERE'S NO PLACE LIKE IT.
AISLES 40000 – 43000
SEMA
KENDA
PIRELLI
FALKEN
WE GET YOU GOING