



## LIFO UPDATE

If you had called me personally to ask "What's happening lately with LIFO that I need to know about?"... Here's what I'd say:

### #1. INDEX OF LOOKOUT ARTICLES THROUGH MARCH 31, 2004 IS NOW AVAILABLE.

We have now expanded and updated our Index of all articles that have appeared in the *LIFO Lookout* from our first issue, over 13 years ago (March, 1991) through March, 2004.

This *Index of Articles* has fifteen sections. In addition to listing all articles by subject, there are *Finding Lists* for all tax cases, IRS Coordinated Issue Papers, Field Service Advice Memoranda, Letter Rulings (including TAMs), Revenue Rulings, Revenue Procedures and the *Practice Guides* included with various articles.

We expect to have this *Index of Articles* up on our web site, [www.defilippis.com](http://www.defilippis.com) very soon. In the meantime, if you're interested, we'd be pleased to send you a printed copy of this Index.

### #3. USED VEHICLE LIFO ELECTIONS ... TO HOLD OR TO FOLD?

As last year came to a close, we found ourselves busier than usual discussing (once again) the questions on the minds of many dealers who had previously elected LIFO for their used vehicle inventories. Simply, should they hold onto LIFO for one more year or should they terminate the election?

As we've said a number of times in the past, there are only 3 problems with LIFO ... (1) Getting on ... (2) Staying on ... and (3) Getting off.

Some dealers had made their used vehicle LIFO elections many years ago, as far back as the early 70s. These dealers still had large LIFO reserves for their used vehicles because they had been built up over many years of price inflation. However, those LIFO reserves had been going down in the more recent years because of the general price deflation experienced in the used vehicle marketplace. So, for those dealers who still had positive LIFO reserves, terminating their LIFO elections would mean taking

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into income a fairly large dollar amount of the LIFO reserves, even though the repayment might be spread over 4 years.

Other dealers had relatively small LIFO reserve balances for their used vehicle pools at the end of 2002 and, based on our projections, would be going negative with their LIFO reserves at Dec. 31, 2003 if they stayed on one more year with a little more deflation.

Within a span of a few days, I had identical discussions with two dealers. Each owned several dealerships. You know what? I heard two 180 degree opposite opinions about staying on LIFO.

One dealer had several dealerships with June 30 fiscal year-ends. He said, in effect, "I've been on LIFO for used cars so darn long that I'm going to stay with it, because I'm certain prices are going to go up soon. I just know they will." The other dealer had several calendar-year dealerships. He said that the decision whether to stay on LIFO or get off was a "no-brainer" ... "(He said) get me off of LIFO for 2003."

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