



## 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. LIFO IS STILL ON THE HORIZON FOR THE FORESEEABLE FUTURE.** That is still my opinion and answer to the two questions that I am asked most frequently these days ... What about LIFO? ... How much longer will it be around?

The short answer: I still believe that LIFO will be with us for quite some time. I've exhausted your eyes with lengthy articles explaining the reasons for my belief. If you really want the details, please refer to "Status of LIFO ... What's New?" in the Mid-Year 2010 Edition of the *Lookout*. Not much has really changed since then.

**Timelines.** The 2011 Timeline on page 4 summarizes the LIFO guidance and developments that occurred during the year. I've also included LIFO Timelines for 2010, 2009 and 2008 to summarize and provide some context for LIFO developments we've been dealing with over the past few years.

Some of the Timeline developments are of more general applicability to all LIFO situations; others relate specifically to auto dealerships using LIFO.

**#2. SAMPLING & LIFO INVENTORIES ... NEW REVENUE PROCEDURE PROVIDES ONLY GENERAL GUIDANCE.** Recently, the IRS issued Revenue Procedure 2011-42 which is intended to "provide taxpayers with guidance regarding the use and evaluation of statistical samples and sampling estimates." The guidance set forth is only *general* in nature.

Regrettably, there is no specific discussion of the guidance in the Rev. Proc. as it relates to taxpayers using the LIFO inventory valuation method. It is interesting to note, however, that the IRS Field Directive on sampling, which preceded the Revenue Procedure by 2 years, did at least include a few references to LIFO inventory situations.

From the reluctance of the IRS to include these LIFO-related discussions in the Revenue Procedure, or to bring up other LIFO inventory-related sampling

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issues, it appears all that CPAs have to fall back on is what little has been said on this subject to date. And, that's not very much.

Given the lack of any specific guidance in Rev. Proc. 2011-42 on applying its general guidance to LIFO inventory situations, the major focus of this Edition of the *LIFO Lookout* and the objective of the article and materials (beginning on page 27) is to provide additional background for CPAs with more general practices who - for whatever reason - find it see **LIFO UPDATE**, page 2