

June 5, 2018

The Honorable Orrin G. Hatch  
Chairman  
Committee on Finance  
United States Senate  
Washington, D.C. 20510

The Honorable Ron Wyden  
Ranking Member  
Committee on Finance  
United States Senate  
Washington, D.C. 20510

The Honorable Kevin Brady  
Chairman  
Committee on Ways & Means  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Richard Neal  
Ranking Member  
Committee on Ways & Means  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Chairmen Hatch and Brady and Ranking Members Wyden and Neal:

The undersigned organizations urge quick action on two technical corrections to the Tax Cuts and Jobs Act (“Act”) -- provisions dealing with qualified improvement property (“QIP”) and net operating losses (“NOL”). The signatories to this letter may have an interest in one but not both of the provisions but recognize the need to get them both dealt with on an expeditious basis as they are the two drafting errors affecting different members of the industry. The delay in correcting these provisions has caused economic hardship for some retailers and restaurants and is also delaying investments across the economy that impact the communities in which these companies are doing business.

The drafting error in the QIP provision causes improvements to retail and restaurant stores to be written off over 39 years instead of one year as contemplated under the Act. As a result, a taxpayer gets to write off only 2.5% of their improvement costs in the year the expenditures are made, and 97.5% over the remaining 38 years, instead of writing off 100% of the cost in the year the expenditures are made. This very large difference in the after-tax cost of making improvements is causing a delay in some store and restaurant remodeling projects, as well as causing some retailers to decline opportunities to purchase or lease new store locations that would require substantial improvements. These decisions not only deny communities the jobs associated with substantial construction projects, but also deny our communities the opportunity to bring new, permanent jobs to an otherwise abandoned store or to revitalize a declining mall. The delayed investment in remodeling projects is also causing a decline in sales by manufacturers that supply products used in remodels, like energy-efficient lighting and plumbing supplies. Finally, the delay in remodeling projects creates safety concerns because, in some cases, it is causing a delay in installation of sprinkler systems creating a more perilous situation in the case of fire.

The drafting error in the NOL provision imposes a retroactive tax increase on businesses that are in loss positions and already facing liquidity issues. The error in the effective date of the provision that eliminates NOL carrybacks means that businesses that were expecting a carryback for their tax years that began in 2017, before it was known if tax reform would pass and which tax code provisions would be modified by tax reform, will not be receiving the cash that is owed

them until some time in the future. This timing difference is critical to cash-strapped businesses that were counting on the carryback to finance continuing operations, as well as investments needed to revitalize their businesses.

We urge you to act to correct these errors in the law at the earliest opportunity in order to increase investments in communities, grow jobs and sustain businesses that are suffering losses.

Sincerely,

Abercrombie & Fitch Co.  
Advance Auto Parts, Inc.  
Ahold Delhaize USA  
American Eagle Outfitters, Inc.  
American Sale  
Arizona Retailers Association  
Ascena Retail Group Inc.  
Beall's, Inc.  
Best Buy Co., Inc.  
Big Lots Stores, Inc.  
Biscuitville, Inc.  
Bloomin' Brands, Inc.  
Boscov's Inc.  
BrandsMart USA  
Brea Bead Works  
Brinker International, Inc.  
California Retailers Association  
Charming Charlie  
Church's Chicken  
Completely Kentucky  
Connecticut Retail Merchants Association  
Crate and Barrel Holdings, Inc. and Subsidiaries  
Darden Restaurants, Inc.  
Dave's Soda and Pet City  
Denny's Inc.  
Dick's Sporting Goods  
Dillard's Inc.  
Domino's  
DSW Inc.  
Dunkin Brands  
Express, Inc.  
Firehouse of America LLC  
Florida Retail Federation  
Food Marketing Institute  
Georgia Retail Association  
Hobby Lobby Stores, Inc.  
Home Furnishings Association

Hooters of America  
HSN, Inc.  
Idaho Lodging and Restaurant Association  
Idaho Retailers Association  
IKEA North America Services, LLC  
Ilitch Holdings, Inc.  
Illinois Association of Convenience Stores  
Illinois Petroleum Marketers Association  
Illinois Retail Merchants Association  
Indiana Retail Council  
J.C. Penney Company, Inc.  
Levi Strauss & Co.  
Little Caesar Enterprises, Inc.  
Louisiana Retailers Association  
Macy's, Inc.  
Maryland Retailers Association  
Michigan Retailers Association  
Missouri Retailers Association  
Montana Restaurant Association  
Montana Retail Association  
Murdoch's Ranch and Home Supply  
National Council of Chain Restaurants  
National Retail Federation  
Nebraska Retail Federation  
New Jersey Retail Merchants Association  
North Dakota Petroleum Marketers Association  
North Dakota Retail Association  
Ohio Council of Retail Merchants  
Ohio Petroleum Marketers and Convenience Store Association  
Pennsylvania Retailers Association  
Petco Animal Supplies, Inc.  
Petroleum Marketers Association of America  
PetSmart, Inc.  
Pier 1 Imports, Inc.  
Pitkin's Home Center  
Publix Super Markets, Inc.  
Retail Association of Maine  
Retail Industry Leaders Association  
Retailers Association of Massachusetts  
Shakey's USA  
South Dakota Retailers Association  
Southern California Local Bead Store Association  
Stage Stores, Inc.  
Stein Mart, Inc.  
Stowe Mercantile  
Tandy Leather Factory Inc.

Target Corporation  
Texas Retailers Association  
Texas Roadhouse, Inc.  
The Container Store Inc.  
The Kroger Co.  
The Michaels Companies, Inc.  
The Neiman Marcus Group Inc.  
The Wendy's Company  
Tractor Supply Company  
Urban Outfitters Inc.  
Utah Food Industry Association  
Utah Retail Merchants Association  
Virginia Retail Federation  
Virginia Retail Merchants Association  
Washington Retail Association  
White Castle System, Inc.  
Willis Music Company  
Yum! Brands, Inc.