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## United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP  
WASHINGTON, DC 20510-6350

November 5, 2001

BY FACSIMILE  
ORIGINAL BY U.S. MAIL

The Honorable Paul H. O'Neill  
Secretary  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, N.W.  
Washington, DC 20220

Dear Mr. Secretary:

Over the past several months, the economic conditions facing the nation's small enterprises and the self-employed have continued to worsen. As we continue working on an economic-stimulus package to revitalize our struggling economy, there is a significant initiative that the Treasury Department can undertake to provide stimulus and relief to the small business sector of our economy as well as the automotive industry.

This initiative involves regulatory authority under section 280F of the Internal Revenue Code, which Congress provided nearly two decades ago but has gone unused. Specifically, I refer to section 280F(d)(5)(B)(iii), which allows the Treasury Department to exempt *any truck or van* from the limitation on depreciation deductions otherwise imposed on businesses under section 280F(a).

As the Ranking Member of the Senate Committee on Small Business and Entrepreneurship, I have heard from several small business associations that the general limitation on depreciation under section 280F(a) imposes a significant economic burden on small business members who rely extensively on the use of business vehicles to make sales calls and transport product samples. As a result, these small enterprises are forced to give up a significant portion of the depreciation deduction on their vehicles. For example, a sales representative or florist must spend upwards of \$20,000 for a full-sized sedan or minivan to meet their business needs, but because section 280F currently allows for depreciation deductions totaling only \$14,460, these taxpayers lose more than \$5,000 in depreciation deductions. To address this problem, I have included provisions in my Small Business Leads to Economic Recovery Act to increase the cost level to a more realistic \$25,000.

In addition to what needs to be accomplished through legislation, there are steps that can be taken administratively. Accordingly, I ask that you initiate an expedited regulation project to exercise the Treasury Department's authority to exempt new and existing trucks and vans used for business purposes from the depreciation limitations under section 280F(a) altogether. According to the Bureau of Wholesale Sales Representatives, such an exemption will provide

significant cash-flow relief through a full depreciation deduction for 40% of their 10,000 small business members alone. Similar benefits will accrue to the florist industry, which relies heavily on vans to delivery their products.

Moreover, such an exemption will create an incentive for business taxpayers to purchase new trucks and vans. As a result, it will provide stimulus to the automotive industry, which is also experiencing difficult economic times.

To explain these benefits in greater detail, I enclose letters from the Bureau of Wholesale Sales Representatives, the Society of American Florists, and the Small Business Legislative Council for your information. If we are serious about providing broad-based, effective stimulus, this is one initiative that the Treasury Department can implement now to achieve that goal quickly.

Additionally, this regulation will achieve another long-term objective – simplifying the tax law. By removing the 280F limitation from businesses using trucks and van, the Treasury Department will eliminate the burdensome calculations and record keeping necessary to comply with this provision. Accordingly, affected taxpayers will benefit from reduced compliance burdens and costs. In short, this regulation is a winner.

Because of the continued weakness in our economy, I would appreciate your prompt attention to this request, and I will follow up with you shortly about this important matter. If you have any questions or need additional information, please do not hesitate to contact me or have your staff call Mark Warren, my Tax Counsel on the Committee on Small Business and Entrepreneurship, at 202/224-

Sincerely,



Christopher S. Bond  
Ranking Member

Enclosures

cc: The Honorable Mark Weinberger  
Assistant Treasury Secretary for Tax Policy  
The Honorable Charles O. Rossotti  
Commissioner, Internal Revenue Service



BUREAU OF WHOLESALE SALES REPRESENTATIVES

October 4, 2001

Senator Christopher S. Bond  
Ranking Member Senate Committee on Small Business and Entrepreneurship  
428A Russell Senate Office Building  
Washington, DC 20510

Subject: IRS Regulatory Authority to Define a Passenger  
Vehicle, Under Internal Revenue Code Section 280F(d)(5)

Dear Senator Bond:

On behalf of the 10,000 members of the National Alliance of Sales Representatives Associations (NASRA), of which I am Executive Director I wanted to extend our organizations appreciation for your efforts to increase the depreciation deduction on all vehicles impacted by section 280F of the Internal Revenue Code, through your proposed legislation S. 189, The Small Business Works Act.

While we work with you to see these provisions enacted there may be an opportunity to provide relief by treasury regulations in the case of light trucks & vans.

As you are aware, all NASRA members are independent business owners who make their livelihood on the road as manufacturers representatives. Being on the road close to two hundred days a year requires most NASRA members to average between forty to sixty thousand miles per year on their vehicles. The size and variety of product samples they must carry dictates the sizes and types of vehicles they must use.

If you were to ask a NASRA member about the criteria they use for determining the purchasing a new vehicle, they will tell you that what they are really buying is the size of the trunk or storage space.

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e-mail: Repline@aol.com  
Web Site: <http://bwsr.com>

According to recent survey results 40% of NASRA members chose to purchase minivans, and light trucks that can be modified with a variety of specialty racks to hold their product samples.

The same survey reveals that 60% of NASRA members travel more than 25,000 miles per year on their vehicles, which also means that they are replacing the vehicles much faster than the depreciation life permitted under Section 280F of the Internal Revenue Code (IRC). Section 280F limits the annual depreciation deduction of a vehicle that costs in excess of \$14,460. While the IRS annually raises with an inflation adjustment the reality is that the inflation adjustment is substantially understated when measured by the realities of the marketplace.

Internal Revenue Service Revenue Procedure 2001-19, I.R.B. 2001-9, 732, released on Mar. 04, 2001, provides the allowed depreciation deduction for vehicles placed in service in 2001.

Tax Year	Amount
1st Tax Year .....	\$3,060
2nd Tax Year .....	\$4,900
3rd Tax Year .....	\$2,950
Each Succeeding Year.....	\$1,775.

The annual depreciation deduction limitation results in most vehicles being depreciated over 5 years or more, while the cost of these vans and light trucks easily exceed \$22,000. This underscores the need for the legislative change you have proposed.

When originally enacted the limitation was imposed on vehicles that cost \$12,060 or more, with inflation adjustments having increased the number to only \$14,460. A typical light truck or minivan will price out anywhere from \$22,000 to \$32,000.

The depreciation limitation does not apply if the vehicle weighs more than 6,000 pounds. However, these vehicles are highly specialized and more expensive to operate, and in many cases exceeds the needs of the average need of our members. Our analysis shows that in most cases our members are purchasing vehicles that weigh less than 6,000 pounds.

**Exceptions to Definition of Listed Property  
Under Internal Revenue Code Section 280F(d)(5)(A)**

A passenger vehicle is defined under IRC Section 280F(d)(5)(A). In addition IRC Section 280F(d)(5)(B)(iii), grants to the Internal Revenue Service the authority to define under regulations exceptions from the definition of passenger vehicle that could include any truck or van. Internal Revenue Code Temporary Regulations 1.280F-6T(c)(3) essentially parallels the code section without granting any additional guidance for situations such as ours.

Congress clearly granted to the IRS the regulatory authority to allow for other exceptions to this rule as they apply to vans and light trucks. The wider use of vans and light trucks was not apparent in 1986 as the minivan was just recently introduced. Vans and light trucks have now become a mainstay for sales representatives in their business travels as our membership survey shows that 40% use vans and light trucks for business purposes.

As a result the limitations are dramatically impacting on the cash flow of many sales representatives who use these vehicles solely for business purposes with special equipment designed to carry their samples.

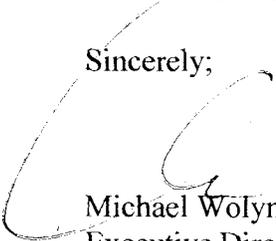
**Expanded Limitation of Passenger Vehicle**

Senator Bond, you have been a strong and vocal supporter of issues that affect small business owners. On behalf of the NASRA membership we request that you assist us in bringing this issue to the attention of Internal Revenue Service Commissioner Charles Rossotti and The Assistant Secretary for Tax Policy, Mark Weinberger.

We would hope that they would consider expanding the exceptions that the Internal Revenue Code Section provides, for individuals using light trucks and vans for business purposes, while we continue to work with you and the rest of the Congress to amend the rules for all vehicles.

We look forward to meeting with you on this subject.

Sincerely;



Michael Wolyn  
Executive Director  
NASRA



October 31, 2001

The Honorable Christopher S. Bond  
United States Senate  
Washington, DC 20510

Dear Senator Bond,

The economic stimulus package being debated on Capitol Hill appears to include needed relief for many small business owners across the nation including those who are members of the Society of American Florists, the national trade association representing growers, wholesalers and retailers of flowers and plants. Although we are very pleased with this effort, we want to let you know about another step the Treasury Department can take to provide additional stimulus to the economy.

Business owners in the floral industry use trucks and vans every day to deliver flowers and plants. Retail florists in particular use vans extensively to deliver flower arrangements and plants to a wide variety of businesses and homes day in and day out. It is not uncommon for a florist to put more than 100,000 miles on a delivery van in just two or three years.

Currently there are limitations on depreciation deductions for trucks and vans under section 280F(a) of the Internal Revenue Code. These limitations force small business owners in the floral industry to give up a significant portion of the depreciation deduction on their vehicles.

It is our understanding that the Treasury Department has the authority under section 280F(d)(5)(B)(iii) to exempt any truck or van from the depreciation deduction limitations. Congress provided this authority almost 20 years ago but, to our knowledge, that authority has gone unused during that period. We believe that now is the time to fully authorize the Treasury Department to exempt new and existing trucks and vans used for business purposes from the depreciation limitations under section 280F(a) altogether. Doing so would provide an incentive for florists and other small business owners in the floral industry to purchase new trucks and vans and would also simplify the recordkeeping necessary to comply with the existing depreciation rules.

The Society American Florists is the national trade association representing 15,000 growers, wholesalers and retailers of flowers and plants nationwide. We support your efforts to provide an economic stimulus package that is truly beneficial for our nation's small businesses and the self-employed, and we support as well your effort to exempt trucks and vans used for business purposes from depreciation limitations.

Sincerely,

A handwritten signature in black ink, appearing to read 'Peter J. Moran', is written over a white background.

Peter J. Moran  
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m



October 31, 2001

The Honorable Kit Bond  
United States Senate  
274 Russell Senate Office Building  
Washington, DC 20510

Dear Senator Bond:

First, I would like to thank you for once again taking a leadership role in providing a voice for small business in the economic stimulus debate. It is greatly appreciated.

I want to take this opportunity to raise an issue related to one of the provisions of your bill, S. 1493. Your proposal to amend the limitations under section 280F of the tax code, which currently prohibits a small business from claiming a full depreciation deduction if the vehicle costs more than \$14,460 (for vehicles placed in service in 2000) would be a great stimulus. Although these limitations have been subject to inflation adjustments since they were established in 1986, they have not kept pace with the actual cost of new vehicles in most cases. As you have noted, for many small businesses, the use of a car, light truck or van is an essential asset for transporting personnel to sales and service appointments and for delivering their products. We believe raising the limitation to \$25,000, indexed for inflation, will unleash demand.

The issue I want to raise is that we believe the Department of Treasury could provide some administrative relief. We still need your legislation, but we can alleviate the unfair impact of Section 280F on businesses that rely on trucks and vans.

It is not widely known, but section 280F(d)(5)(B)(iii) allows the Treasury Department to exempt *any truck or van* from the limitation on depreciation deductions otherwise imposed on businesses under section 280F(a). This authority has been there all along, but for some reason Treasury has never utilized its authority. To do so now would eliminate needless confusion about exactly what vehicles are covered by the Section 280F and would simplify taxpayer compliance. For businesses that must deliver their products and services in a local market, such as florists and construction contractors, this would be especially useful.

The SBLC is a permanent, independent coalition of 80 trade and professional associations that share a common commitment to the future of small business. Our members represent the interests of small businesses in such diverse economic sectors as manufacturing, retailing, distribution, professional and technical services, construction, transportation, tourism and agriculture. Our policies are developed through a consensus among our membership. Individual associations may express their own views. For your information, a list of our members is enclosed.

Sincerely,

John S. Satagaj  
President & General Counsel



## **MEMBERS OF THE SMALL BUSINESS LEGISLATIVE COUNCIL**

**Air Conditioning Contractors of America  
Alliance of Independent Store Owners and Professionals  
Alliance of Affordable Services  
American Bus Association  
American Consulting Engineers Council  
American Council of Independent Laboratories  
American Machine Tool Distributors Association  
American Moving and Storage Association  
American Nursery and Landscape Association  
American Road & Transportation Builders Association  
American Society of Interior Designers  
American Society of Travel Agents, Inc.  
American Subcontractors Association  
Associated Landscape Contractors of America  
Association of Small Business Development Centers  
Automotive Recyclers Association  
Bowling Proprietors Association of America  
Building Service Contractors Association International  
Business Advertising Council  
CBA  
Council of Fleet Specialists  
Council of Growing Companies  
Cremation Association of North America  
Direct Selling Association  
Electronics Representatives Association  
Health Industry Representatives Association  
Helicopter Association International  
Independent Community Bankers of America  
Independent Electrical Contractors, Inc.  
Independent Medical Distributors Association  
International Association of Refrigerated Warehouses  
International Association of Used Equipment Dealers  
International Business Brokers Association  
International Franchise Association  
Machinery Dealers National Association  
Mail Advertising Service Association  
Manufacturers Agents for the Food Service Industry  
Manufacturers Agents National Association  
Manufacturers Representatives of America, Inc.  
National Association for the Self-Employed  
National Association of Plumbing-Heating-Cooling Contractors  
National Association of Realtors  
National Association of RV Parks and Campgrounds  
National Association of Small Business Investment Companies  
National Community Pharmacists Association  
National Electrical Contractors Association  
National Electrical Manufacturers Representatives Association  
National Lumber & Building Material Dealers Association  
National Ornamental & Miscellaneous Metals Association  
National Paperbox Association  
National Private Truck Council  
National Retail Hardware Association  
National Tooling and Machining Association  
National Wood Flooring Association  
Painting and Decorating Contractors of America  
Petroleum Marketers Association of America  
Printing Industries of America, Inc.  
Professional Lawn Care Association of America  
Promotional Products Association International  
The Retailer's Bakery Association  
Saturation Mailers Coalition  
Small Business Council of America, Inc.  
Small Business Exporters Association  
SMC Business Councils  
Society of American Florists  
Specialty Equipment Market Association  
Tire Association of North America  
Turfgrass Producers International  
United Motorcoach Association  
Washington Area New Automobile Dealers Association**