



NORTH AMERICAN EQUIPMENT DEALERS ASSOCIATION

Serving Farm, Industrial and Outdoor Power Dealers

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Statement of the North American Equipment Dealers Association on Depreciation to the House Small Business Committee July 14, 2010

The North American Equipment Dealers Association (NAEDA) respectfully submits this statement to the House Small Business Committee concerning depreciation and technician and mechanic tool write-offs.

NAEDA represents approximately 5,000 retail agricultural, construction and outdoor power equipment dealerships in the United States and Canada. Collectively, these dealerships represent tens of thousands of owners and company employees. NAEDA is also an association with 15 affiliate organizations in the United States and three affiliate organizations in Canada. This statement is presented on behalf of our members and our affiliate associations.

NAEDA encourages Congress and the IRS to consider the MACRS Depreciation Class Life Systems for 1) farm and ranch equipment, and 2) a dealership's buildings and contents through a bonus depreciation program or a change in the current depreciation class life system.

Allowing equipment customers (farmers and ranchers) to write off or depreciate a piece of equipment over a shorter lifetime of five years or less will increase their income, help in debt repayments and allow for the timely replacement of equipment with newer models, which helps to drive our industry. In addition, faster equipment replacement brings environmental benefits from newer engines, better fuel efficiencies and the latest technology in emission controls.

NAEDA also requests that an equipment dealership's buildings and contents under the various depreciation definitions for "class life" be reviewed by IRS and adjusted to reflect changes in the industry. Current depreciation schedules spread out the costs of such improvements over too long of a recovery period, which often delays a dealer from making such investments. A depreciation schedule change here, bonus depreciation or a class life change, would encourage capital expansion plans for many dealers, provide space to accommodate newer and larger equipment and the diagnostic hardware to service that equipment and help the local economy with additional construction jobs.

Another issue the committee should consider is for IRS clarification of tool reimbursement programs for technicians and mechanics, which would allow them to write-off the tools they purchase for employment purposes. Most of the more than 4 million technicians and mechanics in the U.S. must buy their own tools as a condition of employment.

The equipment industry and others, representing thousands of automobile, farm equipment, and construction equipment dealerships, aviation businesses, etc. (including third-party administrators of tool reimbursement plans for these businesses), have repeatedly requested Private Letter Rulings and Industry Issue Resolutions from the IRS. We have yet to receive definitive guidance from them on the issue of tool reimbursements for dealerships and their employees. Specifically, we are asking the IRS to clarify this issue by amending Section 62 of the IRS Code so businesses and their technicians and mechanics can receive fair tax treatment in relation to their investment in tools.

Facts about the U.S. Agricultural Equipment Industry:

- It has a broad foothold throughout the U.S. economy, and its *sales represent more than \$82 billion in* business.
- With **U.S. exports of \$6.2 billion**, it is an enormous source of foreign revenue and a major contributor toward balancing U.S. trade.
- It is responsible for **nearly 250,000 U.S. jobs** in all 50 states and provides major support to both rural and urban communities.
- It supports a highly skilled labor force and is responsible for a **payroll of more than \$8.5 billion**.

We would like to thank the committee for the opportunity to submit these comments for their consideration and action. Should you have any questions, please feel free to contact Michael Williams, NAEDA Vice President of Government Relations at 636-349-6204 or by email at williamsm@naeda.com.