

The National Grocers Association (NGA) represents 21,000 independent community grocers and wholesalers across the United States. Independent community grocers account for 33 percent of all grocery sales, exceeding \$250 billion, and more than 1 million American jobs.

Independent Community Grocers

Independent community grocers operate in a high-volume, low margin industry with most stores operating on just 1-2% net profit margins. We define “independent grocer” as a privately-owned or controlled food retail company operating in a variety of formats. Most independent operators are serviced by wholesale distributors while others may be partially or fully self-distributing. Our member companies are typically structured as pass-through entities (S-corporations), closely-held C-corporations, and Employee Stock Ownership Plans. NGA supports tax policy that leverages family-owned and privately held grocers to bring choice, convenience, and value to their local communities.

Tax Policy Must Protect Small Business

Many industries can take advantage of narrowly structured deductions and credits to craft an effective tax rate in the single digits. Independent food retailers and wholesalers –who have limited access to many of these deductions – have historically paid an average effective tax rate of 33.8 percent. NGA member companies are intrinsically domestic, family-owned companies that do not have the tax advantage of offshore profit shifting. Different income tax rates based on a company’s legal structure can hurt competitiveness in the marketplace. Congress should recognize the diversity of company structures and treat pass-throughs and C corporations equally.

What’s next?

Congress must develop the tax code in a way that empowers independent grocers to feed their communities. NGA has five key tax policy asks to support independent grocers:

1. Preserve the WOTC & Fight for Bonus Credit in Underserved Areas

- ✦ The Work Opportunity Tax Credit is available to independent grocers that hire workers who have consistently faced barriers to employment. The WOTC is authorized until December 31, 2025, and NGA supports its preservation beyond that date.
- ✦ Independent grocers often operate in historically underserved communities and the expansion of the WOTC credit in those communities will greatly support their mission to feed our nation’s vulnerable populations.
- ✦ Support our mission of providing nutritious food to all communities by providing additional Section 38 credits for the sale of fruits, vegetables, meat, and dairy in underserved areas.
- ✦ NGA supports bills like the Supermarket Tax Credit for Underserved Areas Act, introduced in the 117th Congress, that achieve these goals.

At the HEART of the community.

Independent Grocers & Tax Policy

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2. Preserve the LIFO Accounting Method

- ✦ The last in, first out (LIFO) method of inventory valuation has long been accepted under the U.S. Generally Accepted Accounting Principles (GAAP). LIFO accounting better reflects actual existing costs to purchase inventory and prevents grocers from being taxed on the inflationary portion of their profits. NGA is a founding member of the **LIFO Coalition** which was created to preserve this vital accounting method.

3. Preserve Beneficial Tax Provisions in TCJA

- ✦ Independent grocers have been able to utilize the 100% bonus depreciation provided by the TCJA of 2017 to make critical investments in their communities. Starting in 2023, bonus depreciation is scheduled to phase out by 20% per year until it reaches 0% in 2027 unless Congress acts.
- ✦ Section 199A deductions allows businesses organized as a pass-through entity to deduct up to 20% of their qualified business income. In 2025, this provision will sunset unless Congress acts.

4. Oppose Increases in the Estate Tax and Preserve “Step Up” Provision

- ✦ NGA member companies are typically private or closely held companies without access to the public securities markets from which to raise capital. In a high-volume, low margin business, independent community grocer families often must sell their business or borrow capital to meet the obligation of a potential estate tax liability -often to the detriment of the underserved communities that they serve.

5. Oppose Increases in the Capital Gains Tax and Corporate Tax Rate

- ✦ Changes to capital gains taxes and corporate taxes have massive effects on independent grocers and their communities. Significant increases or changes in realization events in capital gains taxes or increases in the corporate tax rate will result in less capital investment in our communities.

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