Prepared Testimony and Statement for the Record of
Adolph Wettlin Treppendahl, Jr., Owner, Treppendahl’s Super Foods

On Behalf of the National Grocers Association

Hearing on
“The Tax Law’s Impact on Main Street”
Before the
House Small Business Committee

July 25, 2018
2360 Rayburn House Office Building
Washington, DC
Good morning,

Thank you to Chairman Chabot, Ranking Member Velázquez, and members of the House Small Business Committee for the opportunity to testify today and share the story of my family business. My name is Wettlin Treppendahl, and I am a fourth-generation retailer and owner of Treppendahl Super Foods in Woodville, Mississippi. My family business began in the late 1800s with the G.A. Wettlin family. When C.M. Treppendahl married G.A. Wettlin’s daughter, C.M. Treppendahl bought out G.A. Wettlin and ran his own mercantile store. In 1924, he added a grocery store in downtown Woodville to his enterprises, and thus began our family’s legacy. The businesses grew and by 1976, the grocery operation was moved to its current 18,000 square foot location. My family business is a complete full-service grocery store offering many specialty items, a deli, bakery, and select and premium meats. I am assisted in the daily operations of the store by my daughter, who plans to take over the business someday.

I have been asked to testify today by the National Grocers Association (NGA). NGA is the national trade association representing the retailers and wholesalers that comprise the independent sector of the supermarket industry. The independent supermarket industry is accountable for close to one percent of the nation's overall economy and responsible for generating nearly one million jobs, $30 billion in wages, and $27 billion in taxes. Defined as a privately held, family owned, or employee owned business, independent supermarket operators run businesses of all formats and sizes, serving a wide range of customers in their local communities. Having often been in business for generations, independent grocers are dedicated to their customers, associates and communities.

The town of Woodville is a one-square-mile town of just 1,200 people, but what we lack in size, we make up in our rich history and vibrant community. We do however share some of the same challenges that many small towns throughout the U.S. face in present day. Advanced educational opportunities and steady jobs can be limited. Treppendahl’s Super Foods is the largest employer in Woodville, and my business fills a much-needed gap in the workforce and empowers individuals to get ahead. We employ 50 people, with minorities representing the largest percentage of employees. Additionally, we are the only grocery store located in town, a food desert, where more than sixty percent of our customers are eligible for Supplemental Nutrition Assistance Program (SNAP) benefits and would face significant difficulties in accessing fresh fruits and vegetables if not for our store.

In fact, the next closest grocery store is 25 miles away, and the closest grocery store located in a large city is 55 miles away in Baton Rouge, Louisiana. The absence of my store would mean that members of the community would be required to travel to these distant stores to acquire food and other necessities. Given the high poverty level in Woodville, many residents do not have the means to travel these distances. If my family’s store was not there, it is not an overstatement to say that the town of Woodville would simply not exist. Woodville's population has been steadily falling in recent years, as locals seek more fertile economic grounds. Treppendahl’s Super Foods is committed to staying in Woodville, and continuing to offer fresh foods at the lowest prices possible while providing quality jobs to our townsfolk.

I commend Congress for accomplishing comprehensive tax reform that benefited both C corporations and pass-through companies such as my small business. The new tax law has had an immediate positive impact on my family business’ ability to invest in our store and local community. Independent grocery stores are capital intensive businesses that survive on 1 to 2 percent profit margins. As a direct result of tax reform, we have upgraded and replaced 12 doors in the frozen foods section of our store during the past few months. That may not sound like a big project to some people, but that investment cost over $65,000 and most importantly provided work for our local refrigeration company. Because of these new freezers we have been able to expand our selection of frozen foods to our customers and save on energy
costs. We are also in the process of working with the Associated Grocers of Baton Rouge, our wholesaler, to develop a plan for upgrading our checkout lanes, which are currently 18 years old. We hope to install new checkout counters in our store next year.

The grocery business also requires us to purchase expensive equipment such as coolers and air conditioners to remain functioning. If it were not for tax reform, we would not have been able to make these improvements to our store. Being able to invest our savings back into our business and community is a good thing. The new tax law has increased my confidence in making important business decisions, now and in the future, which has allowed me to be more comfortable investing in my business. If these tax cuts were to be reversed, I would not feel comfortable reinvesting in my store. Tax reform has also allowed me to provide all full-time, rank and file, employees with raises, which has boosted our employees’ confidence and ability to support themselves and their families.

The estate tax has been a significant concern for our business in the past because it could drive our family store out of business. Supermarkets are somewhat unique in that most of our assets are non-liquid, tied up in property, inventory, fixtures and equipment. Paying a big estate tax bill could mean going into debt or selling off part of the company. As a fourth-generation business owner, the new tax law’s doubled exemption threshold for the estate tax has reduced the fears I’ve had about the future of my family business as it continues to be passed along from generation to generation. I am concerned, however, that the provision will sunset after 2025. Permanency for this provision would help assure me that our store will remain in business for many more years to come.

The 20 percent pass-through deduction is also positive for my business, as we are organized as an S corporation, but long-term certainty for this provision and rate parity with C corporations is desired for the future. Serving our local community, we are driven to remain competitive with large chain stores. We pride ourselves with being a fair and honest business with the ultimate satisfaction of being a positive force in our local community. Without stability and predictability in the tax code, we cannot be at our best when our community needs us the most.

Another aspect of the new tax law that is critical to my business is Congress’ intended benefit of providing us with the opportunity to fully and immediately expense qualified improvement property. As a small business owner in the grocery industry, I must replace expensive equipment over time, as well as upgrade shelving units, flooring, ceiling tiles, and electrical wiring. These items have high price tags associated with them, and the ability to write them off fully and immediately gives me the confidence to continue to invest in and upgrade my store. I am aware, however, that there is a drafting error in the new tax law that prevents retailers, like myself, from being eligible for 100% bonus depreciation for qualified improvement property. I am extremely concerned about this error and urge Congress to fix the issue as soon as possible, in any moving legislative vehicle, so that I can continue to have the confidence to make improvements to my store.

As a fourth-generation small business owner, I believe that the Tax Cuts and Jobs Act strikes the right balance in simplifying the tax code, lowering rates, and broadening the tax base. The law accomplishes this goal while retaining deductions and tax provisions that encourage growth and investment in my business. The new tax law fixes our broken tax system by simplifying the tax code, lowering rates, and retaining deductions and tax provisions that encourage growth and investment in American businesses. Treppendahl’s Super Foods commends Congress for taking action that allows Main Street businesses to grow and create American jobs.

As Congress looks ahead to the future, I urge you to enact tax provisions that provide my small family business with permanency, certainty, and predictability so that I can continue to feel confident investing in my community and business.
Thank you.

Wettlin Treppendahl

Owner, Treppendahl’s Super Foods