



Local media help spread message of available credit through dealers

It's the **Best Time in Years to Buy a Car**



- Great deals
- Great incentives
- Great quality
- Great fuel-efficiency

Best of all, credit is available.

Look to your local dealer to help you decide whether to buy a car. Your dealer knows your market and can help you get financing that meets your needs. If you need a car, **now's the time.**

Visit your local dealership today.



A number of Chicago media are providing free air time and print space to help spread the message emphasized by the Chicago Automobile Trade Association, that vehicle financing is available at the area's new-car dealerships.

The campaign combats a widespread public misconception that credit is not available for consumers, which is stifling demand and backing up inventory on dealer lots.

Representatives of NBC 5 Chicago, WGN-TV, WFLD-TV, WPWR-TV and CLTV agreed to broadcast the ad dozens of times each week; and the Chicago Tribune and the Chicago Sun-Times have agreed to print on a space-available basis ads produced by the National Automobile Dealers Association. An ex-

ample of the display ads appears with this story.

The CATA in October refocused its \$1.8 million annual advertising campaign on behalf of its dealer members to confront the current economic turmoil and associated consumer concerns about access to credit.

More than 90 percent of new-car purchases are financed, so it is important to fight a perception that credit is not available.

The NADA campaign, titled "It's the Best Time in Years to Buy a Car," carries key messages:

- Credit is available
- There are great deals and incentives on vehicles
- Vehicle quality and fuel efficiency have never been better

Tell Congress how Big 3 default would reach deep in communities

Congress delayed until Dec. 2 consideration of \$25 billion loans for Detroit's Big Three, with Democratic leaders demanding on Nov. 20 that leaders of the automakers develop business plans to assure the money would make them economically viable.

Dealers must contact their congressmen about what is at stake for Main

Street if lawmakers fail to act on an automotive stabilization package.

The National Automobile Dealers Association purchased a full-page ad in Nov. 17 USA Today and in other papers to detail the impact of dealers on their community involvement and their contribution to state and local sales tax revenue.

The NADA also developed several talking points for dealers and other constituents to share with their congressmen, to help the lawmakers understand what is at stake for Main Street if an automotive stabilization package is not approved. See www.nada.org.

Some federal legislators believe a
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BY MICHAEL SILVER & Co.
CERTIFIED PUBLIC ACCOUNTANTS, CATA MEMBER

As 2008 comes to a close, CATA allied member Michael Silver & Co. suggests the following areas to be considered.

1. Keep the accounting records open at the end of December:

- Record December finance chargebacks.
- Maximize LIFO deductions. Record all new vehicles that were built in 2008 as vehicle purchases in 2008 by keeping the new vehicle purchase journal open the first few days of 2009.
- Keep your accounts payable journal open to record all 2008 expenses in 2008 including advertising, interest, utilities, telephone, gasoline, data processing, insurance, etc.
- Adjust your property tax payable account to equal at least the total you actually paid in 2008.
- If any vehicle deal is not a 100% **completed deal** in 2008, then treat it as a 2009 vehicle sale.
- Make sure all miscellaneous inventories are adjusted to actual, including labor inventory, sublet, gas-oil-grease, body shop materials, etc.
- Reconcile, when possible, all balance sheet accounts before closing the year.

2. You must include a reasonable estimate of your LIFO adjustment for the year on all versions of your December financial statements. **There are no exceptions.** If there is not a separate LIFO cost of sales account, charge the LIFO estimate to cost of sales in a cost account that has no other activity.

3. If you are not on LIFO for used vehicles, adjust all of your used vehicles to current wholesale market value at year-end. The IRS has developed an acceptable "alternative used vehicle LIFO" method similar to the new vehicle method. On an annual basis, used vehicle LIFO should be considered.

4. In 2007 the IRS approved a change in LIFO Pooling methods for new and used vehicles which can be extremely advantageous to many dealers. If you have not switched to the newly approved "Single, Combined Pooling Method" in 2007, you need to consider with your tax advisor whether it will be beneficial to switch over in 2008.

5. Compare your actual parts inventory to the accounting parts inventory and make adjustments where appropriate. Have your parts manager determine which parts should be considered worthless. Subject to your review, dispose of these parts by year-end. Be sure that your parts manager advises the office manager of the cost of the disposed parts and that the appropriate entry is made to remove the costs from inventory. Your parts manager should provide you with a final parts inventory summary showing the dollar amount of parts in inventory at the end of the year along with an ag-

ing of that inventory.

6. If you have any building repair or maintenance items (such as painting, etc.) that needs to be done, try to have these performed by the end of 2008.

7. Review current year fixed asset additions to determine if the costs should be capitalized or expensed. Generally, assets with a useful life beyond a year should be capitalized and depreciated.

8. Carefully review prepaid assets and expense all items in this account that are not valid as prepaid at year end.

9. Review all past due accounts receivables, including employee receivables. Write off those receivables that are not collectible. If any of these are from former employees, issue them a Form 1099 for the amount written off.

10. Review bank reconciliations for checks (including payroll checks over 60 days old) that are not expected to clear. These checks should be voided and reissued. Funds owed to payees who cannot be located may be considered unclaimed property which would require you to remit the funds to the state. Before reissuing a check to a vendor, be sure that it has not been paid with a subsequent billing. Be careful when voiding any checks written to the state because many state departments are slow in processing.

11. All payroll tax and sales tax payable accounts must equal the actual amount of the applicable taxes paid in 2009 for the 2008 fourth quarter and year-end filings. The year-end payroll tax accrual can only include taxes owed on wages actually paid in 2008.

12. Confirm you have substantiation for your 2007 meal and entertainment expenses. Travel expenses and the cost of a Holiday party for employees or food ordered in to the dealership should not be included in this amount.

13. Form 8300 must be filed if you receive cash in excess of \$10,000 from a customer. Cash includes certain cashier's

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Listings of items for sale are subject to the approval of the CATA. Candidates for employment must submit a full resume to the Editor.

Review past editions dating to 1998 or search by subject at <http://cata.drivechicago.com>.

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Erik K. Higgins

President, Publisher
Editor, Director of Dealer Affairs

checklist for dealers

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checks, money orders, and traveler's checks. Make sure you have properly filed the form for each transaction and notified the customer of the filing. Ask your office staff to provide you with copies of the forms filed for 2008 so you confirm that this function is being performed.

14. IRS Form 1099-MISC must be issued to all non-employees and businesses that are not incorporated and received \$600 or more during 2008 for payment of services, awards, commissions, or fees for services. A Form 1099 must be issued for payments to an attorney even if they are incorporated. When preparing the 1099, for those vendors from whom you purchased parts in conjunction with a service, you must report the total payment made to them on the 1099. Review all of the non-employee activity and determine if they should really be considered employees for payroll tax purposes.

15. All wages and commissions paid in 2009 for 2008 services should be accrued in 2008. Also, make sure the first payroll in 2009 (even though some portion of the payroll was for 2008 services) is **not** included on your W-2's for 2008, but will instead be on the W-2s for 2009. If you are an S Corporation, wages cannot be accrued for shareholders and their family members. To take a 2008 deduction, you must pay them in 2008 and include the wages on the 2008 W-2.

16. If you are a C corporation, make sure you pay any salaries, commissions, or bonuses to stockholders and related parties in December (if their ownership exceeds 50%) in order to take a 2008 deduction. Make sure they are reasonable in total. All accrued payroll for non-shareholders must be paid no later than 3/15/09 for it to be deductible in 2008.

17. For it to be deductible in the current year, all accrued interest should be paid before year-end on loans from shareholders and other related parties. IRS Form 1099s must be issued for the paid interest. Also, Form 1099s must be issued for all rents paid to individuals during the year.

18. Review procedures for the use of demonstrators to ensure you comply with the current IRS regulations.

- All individuals who are provided a demo to drive should sign a written demonstrator policy agreement.

- There are two IRS approved methods that can be used for fulltime salespeople. The first method, which is fairly complicated and restrictive, provides them with tax-free use of the demo. The second method, used by most dealers, is the partial exclusion method, which adds an amount to wages on a monthly basis. The IRS has provided daily income amounts based on the value of the vehicle. For example, for a vehicle valued at \$25,000, the daily inclusion is \$6. Under

this method, employees are not required to maintain logs.

- For employees who are not a fulltime salesperson and for any other individuals who drive a demo, the annual lease value method is used. The amount included in income is based on personal-use mileage and the IRS annual lease table. The IRS requires that logs be maintained in order to verify business vs. personal use of the vehicle.

- The amount included in income is to be added to each employee's W-2. Non-employee family member income amounts must also be included in the employee's W-2. Shareholders, not on the payroll who provide services to the company and any other non-employees, must be issued a Form 1099 MISC for the income.

- Remember, amounts included in income should be reduced by any payroll deductions for personal use of company vehicles.

19. If you or the dealership own stocks that have unrealized losses, consider discussing with your tax or investment professional the benefit of selling them by Dec. 31.

20. If you make gifts to relatives each year for estate tax purposes, the payments must be made by year end.

21. Confirm you have made all required personal and corporate income tax deposits for 2008 and see that your personal income tax withholding is adequate. You should consider paying all of your personal state income tax by the end of the year in order to take a federal income tax deduction for the state tax. However, you should consult your tax advisor if you think the alternative minimum tax may affect you.

22. If you plan to make any charitable contributions, consider making them in 2008 to receive a current-year deduction. Payments by credit card are deductible on the day they are made even if the payment to the credit card company occurs on a later date. The IRS requires written acknowledgment for each contribution.

23. If the dealership has a section 125 plan (cafeteria plan), make sure employees complete the 2009 election forms before the first 2009 payroll. Remember, stockholders owning more than 2% in S corporations (LLCs, etc.) are not eligible to participate.

24. W-2s for S Corporation shareholders must include income for health insurance premiums paid by the corporation. This amount is not subject to social security or Medicare tax.

25. If your retirement plan allows changes throughout the year, maximize your deductible contributions—\$15,500 for a 401(k) plan and \$20,500 if over age 50; and \$46,000 to profit sharing plans (net of any 401(k) contributions). If you have self-employment income, consider establishing a Keogh plan. You have until the due date of your return, including extensions, to fund the contribution.

Illinois DOC fee will adjust for 2009; announcement expected Dec. 16

Illinois dealers won a hearty increase this year in the maximum documentary preparation fee they can charge dealers. Remember that the new fee, just as it historically has been, is indexed for inflation and will be adjusted each Jan. 1.

Annual adjustments to the state's DOC fee are based on changes in the Consumer Price Index from Dec. 1 to Nov. 30. The U.S. Labor Department is scheduled to release November 2008 CPI data on Dec. 16, whereupon the Illinois attorney general's office will compute the 2009 DOC fee.

Main Street

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prearranged run through Chapter 11 would give the companies more latitude to postpone payments to creditors, renegotiate contracts, raise capital, and reorganize to stay alive.

But just as financial institutions depend on the confidence of those with whom they do business, automakers depend on the confidence of car buyers.

To purchase a car is to make a multiyear commitment, and the buyer wants

confidence that the manufacturer will survive to provide parts and service under warranty. With a declaration of bankruptcy, that confidence evaporates.

A recent industry survey indicates 80 percent of consumers would not even consider buying a car or truck from a bankrupt manufacturer because they would lack confidence that the manufacturer would survive to provide parts and service under warranty.

Almost every carmaker that has ever gone bankrupt has disappeared for good.

The CATA will issue a special notice following any announcement from Attorney General Lisa Madigan.

Economists were hyperventilating after the CPI in October dropped 1.0 percent, the largest one-month decline ever. But the CPI on Oct. 31 still was 3.7 percent higher than it was 12 months earlier.

A 3 percent CPI increase would add \$4.50 to the current \$150 maximum DOC fee that an Illinois dealer could charge.

And there is no reason to believe the Big Three would not do the same. Chapter 11 filing would almost surely lead to liquidation.

Another federal bill to help move metal is the Auto Ownership Tax Assistance Amendment, which would allow a consumer to deduct the excise tax and the interest payments for the life of the loan on any new vehicle purchased by Dec. 31. But House and Senate versions of the legislation have made little progress since they were introduced.

The NADA also is in-

involved in an effort to gain access to more working capital for dealers through the Small Business Administration. The NADA wants the SBA to implement an auto dealer loan guarantee program, to help dealers acquire needed working capital for business operations.

The NADA also launched a free, confidential telephone hotline service to help members who want help with financial and operational issues.

To schedule a consultation, visit www.nada.org/Lifeline or call 888-672-5147.

CSI with service operations growing: survey

Satisfaction levels among owners of 4- and 5-year-old vehicles at dealers' service operations are on a slight upswing this year, a new J.D. Power and Associates study finds.

This is an important increase given that many dealers are getting squeezed by tighter profit margins. What contributed to this improvement?

The 2008 Service Usage and Retention Study suggested that because of product quality improvements throughout the industry, more customers are bringing in their vehicles for regular maintenance work than for repairs, leading to higher satisfaction rates.

This year, 58 percent of consumers indicated they took their vehicle to a dealership for maintenance, while 42

percent reported making repair visits, compared to 54 percent and 46 percent last year, respectively.

The study found overall satisfaction with dealer services at 86 percent, up three points since 2007. Customer satisfaction tends to be higher for a maintenance visit than for a repair visit.

With fewer repair visits, "customers are able to avoid unexpected and potentially inconvenient service visits," said Tom Gauer of J.D. Power. "In addition, dealers have also improved their efforts to provide knowledgeable and courteous staff and a comfortable service experience," he said.

Forming a personal relationship with customers can help to increase satisfaction scores, the study added.

Dealership worker charged with ID theft

An employee of a Hoffman Estates car dealership was charged with two counts of identify theft for stealing the information of a customer and using it to buy a car at another dealership, authorities said Nov. 19.

Luis A. Corona, 29, of Schaumburg reportedly gave ID information of a dealership customer to a female friend who used it to obtain a driver's license.

The identification was taken to another dealership to buy a car, which prosecutors said Corona used to drive to work. Corona was arrested Nov. 17 when he tried to use identification information from another customer to buy a second vehicle, authorities said.