



CATA Bulletin

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Indiana rescinds new sales tax law Dolan nominated for TMQDA

Just weeks after July 1 changes to the state's sales tax law, reported in the July 19 edition of this newsletter, the Indiana Revenue Department scrapped a new provision that would have forced out-of-state dealers to obtain a taxpayer identification number to be eligible for tax-exempt vehicle resale purchases from Indiana dealers.

The change proved too chaotic and thus was dropped, said a spokeswoman at the Indiana Department of Revenue Tax Compliance.

Another July 1 tax adjustment, which calls for Indiana dealers to collect the state's 6 percent sales tax on all transactions with out-of-state customers unless that customer has a valid exemption as indicated on the Indiana Revenue Department Form ST-108E, remains in effect.

Illinois residents will be credited by their home state for any Indiana taxes they pay when they register their vehicles in Illinois. Illinois tax law is unchanged insofar as an Indiana resident does not have to pay sales tax on a vehicle if he obtains a drive-away sticker.

An Illinois dealer who purchases a resale vehicle from an Indiana dealer must present his business name, address, Federal ID number, and out-of-state dealer number on a statement indicating the purchase is for resale.

The resale exemption is not valid for new vehicles sold to another dealer if the purchasing dealer does not have a franchise to sell that vehicle.

Detailed questions about Indiana sales tax can be directed to the state's department of revenue tax compliance at 317-232-2339.

Mary Dolan, president of Freeway Ford and Sterling Truck Sales in Lyons, has been nominated by the CATA for the 2005 Time Magazine Quality Dealer Award.

Each state and metropolitan dealer association can advance one nominee for the award. Five finalists and one national winner will be named Jan. 30 at the opening session of the NADA convention in New Orleans.

The annual award recognizes new-vehicle dealers in the United States for exceptional performance in their dealerships combined with distinguished community service. Dolan is the first woman and the first heavy-truck dealer to be advanced by the CATA.

Dolan is in her second year of service on the CATA board of directors. She also is the first woman voted onto



Mary Dolan

the board.

Dolan's dealership has been Blue Oval-certified for four years and belongs to Ford's BPN Summit Club.

She helped to pass the Abandoned Newborn Infant Protection Act in Illinois and participates in Open Door Shelter for troubled teens.

Dolan is active in the Our Lady of Perpetual Help Catholic parish in Glenview and also is on the advisory council to his eminence, Francis Cardinal George.

Federal FairPay rule on minimum wage, overtime pay effective Aug. 23

Exemptions to minimum wage and overtime pay will be expanded, beginning Aug. 23, to include certain computer, creative professional and highly compensated employees, under a U.S. Labor Department amendment to the Fair Labor Standards Act referred to as the *FairPay* rule.

The newly exempted positions add to established exemp-

tions for executive, administrative, professional and outside sales positions. To be exempt from overtime pay, an employee generally must meet specific job duties tests and receive minimum salaries or guarantees of \$455 a week.

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FairPay

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The *FairPay* rule seeks to simplify the task of determining who is eligible for minimum wage and overtime pay.

In Illinois, a recently enacted law also exempts seasonal employees who work more than 40 hours a week from earning more than straight-time pay.

The federal *FairPay* rule does not impact other overtime exemptions, such as those for salesmen, partsmen and mechanics, and for commission employees.

Employers must review employee duties, job descriptions, and pay and leave plans, and make appropriate payroll adjustments. Incorrectly classifying an employee as "exempt" from minimum wage and overtime pay could lead to liability for back pay, liquidated damages, interest and even attorneys' fees.

On the other hand, incorrectly identifying an employee as nonexempt could lead to inflated labor costs. Dealers should review the exempt/nonexempt status of all dealership employees, not just those covered by the *FairPay* rule.

Generally, exempt highly compensated employees—one of the newly exempt positions—are those who:

- do office or non-manual work and are paid a total annual compensation of \$100,000 or more, including a salary or guarantee of at least \$455 a week; and
- regularly perform at least one of the duties of an exempt executive, administrative or professional employee.

This "safe harbor" exemption applies to most white-collar dealership employees earning over \$100,000.

The \$455 weekly pay is equivalent to \$910 biweekly/\$985.83 semimonthly/\$1,971.66 monthly/\$23,660 annually. Do not count the value of non-cash items, including demonstrators, towards the minimum salary or guarantee.

Exempt employees need not be paid a salary for workweeks in which they perform no work.

The NADA Legal and Regulatory Affairs Department prepared a six-page pamphlet with answers to common *FairPay* questions by dealers that was mailed to NADA members July 20. For a faxed copy of the pamphlet, call the CATA at 630-495-2282.

Safeguards Rule compliance reviewed

With all the sensitive financial information they collect on customers, dealerships are an attractive target for identity thieves.

See the Page 1 article in the July 26 edition of *Automotive News* for a review of steps dealers can do to protect their customers—and themselves—from the effects of ID theft.

Northwood accepting names for 2005 Dealer Education Award

Dealer principals who have made noteworthy contributions to education—public or private, on any level, inside or outside the industry—could be candidates for a Northwood University Dealer Education Award.

The award has been presented annually since 1972 at the National Automobile Dealers Association convention. Next year's winner will be named Jan. 30 in New Orleans.

The nominee must be a dealer principal and should be present to accept the award.

Northwood University President David Fry said award winners "are people of stature. The award is recognition of substantial dedication over a number of years to the educational process and the field of automotive marketing."

Nominations must be returned to Northwood's Midland, Mich., campus, postmarked by Sept. 1. For a nomination form, see the Northwood Web site at www.northwood.edu, then click "News and Events" to locate the form. Or, call the CATA's Erik Higgins at 630-495-2282.

Registration underway to attend '05 NADA convention in New Orleans

Advance registration is open through Dec. 10 for the 2005 NADA Convention and Exposition in New Orleans, Jan. 29-Feb. 1.

To register on-line or to download a registration form, go to www.nada.org/convention/ The form also can be retrieved via fax-on-demand, 800-778-7209 (document 60), or by calling the Convention Department at 703-821-7188.

For those paying by credit card, the completed form can be faxed to 703-883-9480.

Look for more information on the convention in the coming weeks, including speakers and programs.

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

Review past editions or search by topic at www.cata.info/

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A bidder's tips to avoid 'the curse' at auto auctions

By Larry Tribble

Sometimes even the best auction bidders can stumble and fall into psychological traps, including two known as the winner's and the loser's curses.

The Winner's Curse: Some people bid just to win. They overpay for a vehicle and erode or even eliminate any potential profit. In addition, they overpay for a vehicle they are less likely to put money into, for appearance reconditioning or mechanical repair, thus making the vehicle less attractive to a retail customer.

The Loser's Curse: Some people habitually bid below what an optimal strategy would dictate and regularly lose a vehicle to another bidder. The habitual low bidder may be afraid of risks or simply conservative. Either way, he doesn't win.

The Cure: Search engines available on auction Web sites, printed market reports, and guide books provide buyers with current auction values. An accurate appraisal of a vehicle's condition also is critical. If a buyer does his homework and determines a vehicle's actual value and the cost

of the purchase before the auction, he is more likely to walk away with the vehicles he needs and make money when a vehicle is retained.

When Selling

Consign early. The sooner a vehicle can be entered into an auction's database, the better. Buyers can find them earlier and put them on their "buy" lists.

Know the market. Study print and on-line auction Market Reports to determine a vehicle's worth. Take seasonal price adjustments into consideration—convertibles do better in spring and summer, and SUVs in cooler months.

Build a reputation. Although no eBay-style feedback rating exists at auto auctions, buyers quickly form an opinion of you as a seller. The better your reputation, the more bidders you'll have in your lane.

Appearance matters. Reconditioning and detailing make a difference and can yield good returns.

When Buying

Do your homework. Take advantage of auction information systems. On the night before the auction, use the database search function on the auction's Web site to create your final "buy" list. On auction day,

check the database from the kiosk for last-minute consignments. Finally, download the consignment database to your PDA and take it with you in the lots and lanes.

Arrive early and walk the lot. There is no substitute for doing a thorough preview of the vehicles you wish to purchase. Sort and prioritize your best picks and assign values to your favorites.

Make yourself known to the auctioneer. It is important to let the auctioneer or ringman know you are interested in a vehicle. There are many styles of bidding, and the auctioneer will take note of yours.

Don't lose the vehicle for the sake of \$100. One more bid might get you the car you need.

Larry Tribble is owner and president of Southern Auto Auction, in East Windsor, Conn. The article is excerpted from "A Dealer Guide to Auctions: Controlling Inventory, Increasing Profits," an NADA Management Guide to be mailed in August to all NADA members.

For more information or to order additional copies, call the NADA at 800-252-6232, ext. 2. The price to members is \$25 plus shipping.

701 union health/welfare fund contributions raised beginning Aug. 1

Weekly employer contributions to the Local 701 Health & Welfare Fund increase from \$118 to \$124, effective Aug. 1. August contribution reports are due Sept. 10.

It is the first increase to the fund since the current contract with Local 701, which represents unionized technicians, began in 2001. The contract expires July 31, 2004.

Trustees who represent dealers to the union said the current cost to maintain

the fund is estimated at \$136 a week. Other industries represented by the 701 union include trucking, truck dealer and construction, and their rates range from \$130 to \$155 a week.

A dispute among trustees centered on whether an additional \$6 increase in the weekly contribution rate would be required Aug. 1, bringing employer contributions to \$136. Attorneys of Franczek Sullivan, which represents CATA dealers to the union, will advise

dealers of any developments in the dispute.

An additional \$6 increase still would pace contributions below current health care inflation trends.

Employer contributions to the Health and Welfare Fund of the Local 731 union, which organizes stockroom attendants, garage attendants, drivers and utility employees such as porters, rose last month to \$112.50 per employee per week.

Martin Boyer deflects unemployment claims

One hundred fifteen CATA dealer members reported a combined 457 unemployment claims to the Martin Boyer Co. during the second quarter of 2004. The company's efforts saved those dealers a total of \$975,910 in benefits by contesting the claims.

Martin Boyer monitors any unemployment claims against its clients. About 200 CATA dealers are clients of the company.

Claims that can be protested and subsequently denied help minimize an employer's unemployment tax rate. The rate can vary between .06 percent and 6.8 percent of each employee's first \$9,000 of earnings. The average unemployment tax rate among Illinois employers is 3.1 percent, or \$279 annually.

"The unemployment tax is really the only controllable tax, in that it's experience-driven," said Paul Schardt, senior vice president of Martin Boyer. An ex-employee's claim affects the employer's tax rate for three years.

Client fees amount to \$2.10 per employee, per fiscal quarter. For the fee, Martin Boyer monitors all unemployment claims, files any appeals, represents the client at any hearings, verifies the benefit charge statements and confirms the client's unemployment tax rate.

Martin Boyer has represented CATA members since 1979. To discuss retaining the company, call Schardt at 312-381-8241.

Roger that!

Got an interesting automotive story that you'd like to share with Chicago radio listeners?

Call the CATA's Paul Brian weekdays about appearing on his show, "Drive Chicago," at 8 a.m. Saturdays on WLS-AM 890.

Registrations up for summer's 'hot' cars: Polk

Registrations of many coupes, convertibles and prestige vehicles peak during the summer months with 40 percent or more of total registrations falling between the months of May and August, according to R.L. Polk & Co. Sporty and prestige vehicles, from the Lamborghini Murcielago to the Hyundai Tiburon, fall into this category.

"Summer is the season for pleasure driving and road-tripping throughout the country," said Lonnie Miller, director of Polk Analytical Solutions. "Judging by the vehicles that sell best during the summer months, people are choosing to drive sports cars, convertibles or prestige vehicles."

The top five vehicles with the highest percentage of 2003 annual sales made during the summer months were

prestige models: Lamborghini Murcielago (48.0 percent), Lotus Esprit (47.6 percent), Acura NS-X (47.4 percent), Bentley Azure (47.3 percent) and the BMW M5 (45.1 percent). Annual unit registrations for these prestige specialty vehicles tend to fall in low volumes ranging from roughly 50 units for the Bentley Azure to over 1,500 units for the BMW M5.

While the overall market sold 34.9 percent of its vehicles in the summer of 2003, convertibles did nearly 40 percent of their business from May to August of last year. The convertibles with the highest percentage of 2003 summer registrations were the Bentley Azure (47.3 percent), Ford Mustang (45.7 percent), Chrysler Sebring (45.1 percent), Mazda Miata (44.7 percent) and the Saab 93 (44.7 percent).

Congratulations!

General Motors Corporation bestowed the 2003 Jack Smith Leadership Award to the GM dealer network's best in sales, service and customer satisfaction. Locally, GM honored **Douglas Rockenbach** and **Gail Vitols** of **Rockenbach Chevrolet Sales** in Grayslake; **Stephen Foley Sr.** of **Steve Foley Cadillac** in Northbrook; **Erwin Weil** of **Weil Cadillac** in Libertyville; and **Ernie Semersky** of **Saab Exchange** in Lake Bluff.

AutoNation recognized two local dealerships for exceptional sales and service performance. **Kevin Keefe** of **Libertyville Toyota** won the Toyota President's Award, and **Jim Daluga** of **Laurel Audi of Westmont** was named to the Audi Magna Society.

Marketplace

Executive VP/GM Institute strong, five-point sales process. Create advance programs, manage budgets, monitor sales and service gross, all on a day-to-day basis. Anonymous.

Controller Manage all office functions for dealer group's five facilities. Prepare all financial statements, bank reconciliations, reserve accounts, parts accounts, year-end documents for auditors. Jean Otrembiak, 708-404-2362.

Résumés of both candidates on file at the CATA.