Many dealerships to pause for year-end holidays: CATA survey

Ninety-four dealers responded to a recent query about their operating hours over the coming Christmas and New Year's holidays.

The results show all operations will pause on Christmas Day and many on New Year’s Day. Activity is more varied on Christmas Eve and New Year’s Eve.

The chart below summarizes how dealerships will treat the holidays.

Unionized technicians are entitled to paid days off Dec. 24, 25 and 31 and Jan. 1, unless a shop agreement has been reached.

In all cases, workers must work their regularly scheduled day before and after the holiday in order to receive pay on the holiday, unless the worker is off-work or on an employer-approved vacation or leave.

Dealers with union questions should call the CATA’s labor relations counsel, Franczek Sullivan P.C., at 312-986-0300.

2008 DOC fee maximum is $150

The state’s maximum documentary service fee for 2008 is $150, following Illinois legislation passed in August.

The fee structure continues the provision for annual adjustments tied to the federal Consumer Price Index.

The CATA developed a poster regarding the DOC fee that dealer members can post. Two copies of the poster are included with this newsletter. Limited additional copies are available upon request.

On the poster, the DOC fee amount is blank and left for dealers to fill in; a dealer may charge any DOC fee up to the maximum allowed, but every customer must be charged the same amount.

IMPORTANT: The new maximum fee may not be charged before Jan. 1.

Dealer staff also should arrange to print new buyer’s orders that reflect whatever DOC fee they will charge.

‘Clear and conspicuous’
Make sure disclosures are plain, easy to connect: BBB ad scanners

Officials of the BBB/CATA Advertising Review Program said they see increasing dealer ads that are not “clear and conspicuous,” under requirements in the Illinois rules concerning motor vehicle advertising.

Better Business Bureau employees scour area dealers’ print and electronic ads for compliance with the state rules. If infractions are spotted, the offending dealers are alerted to change their ads. If they remain unchanged, the BBB forwards the matter to the Illinois attorney general’s office.

Disclosure language in the footnotes of some ads do not appear to relate to anything above because there are no

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2007 year-end checklist for dealers

BY MICHAEL SILVER & CO.
CERTIFIED PUBLIC ACCOUNTANTS, CATA MEMBER

As 2007 comes to a close, CATA allied member Michael Silver & Co. suggests the following areas 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 2007 as vehicle purchases in 2007 by keeping the new vehicle purchase journal open the first few days of 2008.
   • Keep your accounts payable journal open to record all 2007 expenses in 2007 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 2007.
   • If any vehicle deal is not a 100 percent completed deal in 2007, then treat it as a 2008 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. 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 aging of that inventory.

5. If you have any building repair or maintenance items (such as painting, etc.) that need to be done, try to have these performed by the end of 2007.

6. 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.

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

8. 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.

9. 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.

10. All payroll tax and sales tax payable accounts must equal the actual amount of the applicable taxes paid in 2008 for the 2007 fourth quarter and year-end filings. The year-end payroll tax accrual can only include taxes owed on wages actually paid in 2007.

11. 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 dealerships should not be included in this amount.

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

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2007 year-end checklist for dealers

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you with copies of the forms filed for 2007 so you confirm that this function is being performed.

13. IRS Form 1099-MISC must be issued to all non-employees and businesses that are not incorporated and received $600 or more during 2007 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.

14. All wages and commissions paid in 2008 for 2007 services should be accrued in 2007. Also, make sure the first payroll in 2008 (even though some portion of the payroll was for 2007 services) is not included on your W-2’s for 2007, but will instead be on the W-2’s for 2008. If you are an S Corporation, wages cannot be accrued for shareholders and their family members. In order to take a 2007 deduction, you must pay them in 2007 and include the wages on the 2007 W-2.

15. 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 2007 deduction. Make sure they are reasonable in total. All accrued payroll for non-shareholders must be paid no later than 3/15/08 for it to be deductible in 2007.

16. Make sure interest is paid on loans to or from shareholders or other parties that are on the dealership’s books by year-end. A 1099 must be issued for this interest and any interest paid to individuals.

17. 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 provides them with tax-free use of the demo. This method is fairly complicated and restrictive. The second method, used by most dealers, is the partial exclusion method. Under this method, an amount is added to wages on a monthly basis. The IRS has provided daily income amounts based on the value of the vehicle. For example a vehicle valued at $25,000, the daily inclusion is $6.00. Under this method, employees are not required to maintain logs.
   • For employees who are not a fulltime salesperson and 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. Nonemployee 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.

18. If you or the dealership owns stock that has unrealized losses, consider discussing with your tax or investment professional the benefit of selling them by the end of the year.

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

20. Confirm you have made all required personal and corporate income tax deposits for 2007 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 you may be affected by the alternative minimum tax.

21. If you plan to make any charitable contributions, consider making them in 2007 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.

22. If the dealership has a section 125 plan (cafeteria plan), make sure employees complete the 2008 election forms before the first 2008 payroll. Remember, stockholders owning more than 2 percent in S corporations (LLCs, etc.) are not eligible to participate.

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

24. 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 $45,000 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.

Michael Silver & Co. is in Skokie, 847-982-0333.
Ads

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corresponding symbols, said Steve Bernas, president and chief executive of the BBB-Chicago office.

“There is only one symbol, and that is at the disclosure alone,” said Bernas. “The reader must guess as to which offer this disclosure relates. Clearly, this practice results in confusion that would not occur if more disclosures appear in the ad itself, closer to the offers they explain.”

Under the rules, “clear and conspicuous” concerns both the type size and the positioning of any disclosures. Type must be at least 10 points to be deemed “readily noticeable,” under the definition.

“Type size smaller than 10 points generally does not comply with the rule,” Bernas said. “In addition, type size less than 10 points is especially difficult to read as reverse type—light letters against a dark background. The BBB frequently reviews disclosures made this way that are difficult or impossible to read.”

Bernas said technical disclosures, like lease and credit terms, can be confusing when the type is set too close together and appears on dark backgrounds.

Section 475.110 of the state rules requires disclosures to be “in close proximity to the statement, representation or term it clarifies, modifies or explains.” A disclosure must be “readily noticeable; reasonably understandable . . . ; and not contradictory to any terms it purports to clarify, modify or explain.”

Bernas said the BBB is seeing increasing instances of disclosures that are not in close proximity to the offers they explain. Most ads include several specific and distinct offers, including finance and lease offers, which require disclosures mandated by the advertising rules and by federal and state laws.

“Many advertisements,” said Bernas, “show one extensive footnote at the bottom of the ad that is intended to contain most, if not all, disclosures. These disclosures relate to numerous, separate and specific offers which are unrelated—like rebates, price matching, and special pricing events.

“A single footnote can be very confusing because some disclosures are not in close proximity to the specific offers they explain. This is exactly what the clear and conspicuous standard is intended to prevent and why the requirement is ‘close proximity.’”

Bernas also said the BBB staff is seeing symbols used that are so small, both in the ad and the footnote, that it is nearly impossible to match shapes and related offers and disclosures. “Consequently,” he said, “the clear and conspicuous standard is not met.”

Advance tickets to ’08 auto show on sale now

Tickets and vouchers that admit the holder to the 2008 Chicago Auto Show free or at a reduced price can be ordered by CATA members using the order form included in this newsletter.

The passes promote goodwill with customers and even can help persuade a prospect to close a deal.

Two kinds of passes are available, General Admission ticket and Weekday Discount voucher. The former, which costs CATA members $600 for 100 tickets, admits the holder to the auto show free, without a box-office wait. The Weekday Discount voucher costs members $100 for 100 and admit the holder for $5 during the week. Regular admission is $10.

A minimum 100 passes must be purchased with either order. All CATA members in good standing will receive a package in early January that includes, among other things, 200 complimentary Weekday Discount vouchers.

Scam alert

An apparent scam artist contacted an area Nissan dealership numerous times using technology employed by the deaf, which can shield the caller’s location.

The caller wanted to pay $2,500 toward a Murano using a credit card, but wanted the dealership to send $1,500 of that to a freight forwarder in California, where the caller’s son reportedly lives. The caller identified his own address as that of another area Nissan dealer, and the son’s address turned out to be that of a California Nissan dealership.

The caller relied on a telecommunications device for the deaf (TDD), an instrument for text communication via a telephone line that is used when one or more of the parties has hearing or speech difficulties.

The credit card the caller wanted to use, plus its security code number, both were valid, but for someone other than who the caller claimed to be. The dealership helped arrange for the card account to be closed.

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