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Upcoming DealersEdge Webinars

The Chicago Automobile Trade Association has established a partnership with DealersEdge to provide high-quality training and informational Webinars that offer the content to CATA member dealers at a significantly discounted rate.

The rate for CATA members for the weekly presentations is $149, half what is charged to users who do not subscribe to DealersEdge. Webinars premiere on a near-weekly basis.

Even for dealers who hold an annual membership with DealersEdge, the new relationship with the CATA represents a savings because DealersEdge offers its Webinars to its own members for $198. Regular annual membership fees are $397, and normal Webinar fees are $298 for non-DealersEdge members.

Once purchased, DealersEdge Webinars and accompanying PDF files can be downloaded and viewed later—and repeatedly. No matter how many people watch at your location, each connection costs a CATA member just $149. A telephone connection is not needed; and the fee includes both PowerPoint slides and audio.

To register for any of the DealersEdge Webinars, go to www.cata.info. On the tan bar across the top of the screen, click on Education/Careers and follow the drop-down menu to CATA-DealersEdge Webinars.

Coming topics:

Thursday, April 7 at 12 p.m. CDT

"Parts Inventory Reconciliation Part II - The Advanced Course" Take an in-depth and practical look at specific steps to take to reconcile your General Ledger to your Actual Parts Inventory figures.

The Service Department sells a perishable product, la-

See **Webinars**, Page 2

TILA, Consumer Lending Act amended for loans up to $50K

Regulations Z and M will be impacted on transactions up to $50,000 beginning July 21, up from the current $25,000 limit, following passage last summer of the Dodd-Frank Wall Street Reform and Protection Act.

Regulation Z also is referred to as the Truth-in-Lending Act. Regulation M, or the Consumer Leasing Act, applies to credit transactions and leases.

TILA requires creditors to disclose key terms of consumer loans and prohibits creditors from engaging in certain practices with respect to those loans. The CLA requires lessors to provide consumers with disclosures regarding the cost and other terms of personal property leases. An automobile lease is the most common type of consumer lease covered by the CLA.

Sales of fuel-efficients stall

Automakers are spending more than $50 billion to meet the government's 2016 fuel economy law, but consumers aren't buying enough of the fuel-efficient vehicles necessary for automakers to achieve the required 35.5 miles-per-gallon average.

Despite rising gas prices and new electric cars and hybrids, the fuel economy of Americans' new vehicles stagnated last year.

In fact, the 2010 average

See **Fuel Economy**, Page 2

Latest 'Auto Outlook' is online

The Chicago Auto Outlook publication examining the area's new-vehicle sales in February can be viewed on the CATA's Web site, www.cata.info.

On the blue bar across the top of the home page, click on Publication and follow the drop-down menu to Chicago Auto Outlook-Current Edtion.

Fuel efficient

Continued from Page 1

of all new vehicles actually slipped to 22.2 m.p.g. from 22.3 m.p.g., according to a report from Ward's Automotive Reports that examined calendar-year sales.

With unleaded regular gasoline now averaging $3.56 a gallon nationally — up from a 2010 average of $2.84 — car buyers are thinking more about fuel economy than they were last year. But replacing a large vehicle with a smaller one is farther than many buyers are going.

Hybrid car sales actually shrunk from 2.9 percent of new-vehicle sales in 2009 to 2.4 percent last year. Sales of light trucks — pickups, SUVs, crossovers and minivans — rose to 51 percent from 48 percent over the same period.

Said Gloria Bergquist, vice president of the Alliance of Automobile Manufacturers: "For consumers to really change their buying habits, they must believe higher gas prices are a long-term change, and by long-term, they mean five years or more."

If automakers don't meet the standard four years from now, they could face fines if the law is not rewritten.

Larger vehicles still favored

There now are 160 models on the market that get 30 or more miles per gallon. Plug-in vehicles such as the Chevrolet Volt and Nissan Leaf now are available, as are 25 gasoline-electric hybrids. Even more are on the way as automakers rush to hit the most aggressive fuel-economy requirements since the government began regulating efficiency in the mid-1970s. Yet, even as gas approaches $4 a gallon, consumer acceptance of high-mileage technology has been lukewarm at best.

In the first two months of the year, Chevrolet sold 602 Volts while Nissan sold 154 Leafs. In the same period, by contrast, Cadillac sold 2,793 Escalades and Lincoln sold 1,193 Navigators.

"Consumers are the wild card," said Bergquist. "Americans have mostly chosen to buy larger vehicles. Crossovers accounted for 2.9 million sales last year, compared to 2 million for subcompacts and compacts together."

Still, the new standards have automakers under pressure to make sure each redesigned model is considerably more efficient than the one it replaces. The 2011 Ford Explorer with a 2.0-liter 4-cylinder engine gets 18 m.p.g. in city driving and 26 m.p.g. on the highway. The 2010 Explorer with a 4.0-liter V6 was rated at 14/20 m.p.g.

But if everyone buys a leaner version of the same vehicle being replaced, that won't be enough for automakers to meet the government's average fuel economy standard of 35.5 m.p.g. by 2016 — unless they're selling mostly passenger cars and large volumes of hybrids, for which manufacturers earn CAFE credits.

Bergquist said consumer buying behavior toward better fuel economy is not aggressive enough to meet the looming 35.5 m.p.g. standard.

Webinars

Continued from Page 1

bor; while the Parts Department sells a more durable product, its inventory. The owner focuses on keeping inventory levels low. But the contrast leads to pressure on the parts manager from service technicians who think parts should stock at least one of everything to make their jobs easier. Distortions can result when the parts manager's pad doesn't match the controller's general ledger, and investigating the discrepancies can be a daunting task. Learn a method for locating any errors and reconciling the two.

Thursday, April 14 at 12 p.m. CDT

"The ROI of a Do-It-Yourself Social Media Strategy for Your Dealership" Yes you can DIY.

Dealers who have demonstrated success with their social media marketing programs have learned two basic facts. First, less is better. Being everywhere is no better than having excellent social media programs in the three platforms that really matter—Facebook, Twitter and YouTube. Second, you can do it yourself. If you have been overwhelmed by the complexity of applying social media marketing at your dealership, rest easy. It is not as hard as it looks. A discussion of the seven essential steps to success of a DIY dealership social media marketing program.

2 more dealers benefit from CATA-Aflac relationship

Two more CATA dealers are taking advantage of the association's newly launched relationship with Aflac through dealer agent Paul Jackson.

The employee take-rate was about 50 percent at Arlington Heights Ford and almost 75 percent at Ray Chevrolet-Suzuki in Fox Lake.

In addition to offering employees a valuable voluntary health benefit, this Aflac program brought several thousand dollars to the bottom lines of both dealerships. For more information on the program, call Jackson at (313) 318-2558.

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Review past editions dating to 1998 or search by subject at www.cata.info.

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NADA launches 'Japan Relief' campaign

By Mark Scarpelli
Chicago Metro NADA Director

The NADA is urging its 16,000 members to support the Japan Earthquake and Pacific Tsunami fund of the American Red Cross.

To jumpstart the campaign, the NADA Charitable Foundation on March 15 donated $100,000 to the Red Cross's special Japan fund. The Red Cross set up the fund to support disaster relief efforts in Japan after the devastating earthquake and tsunami.

To facilitate dealer donations to Japan relief efforts, the NADA and the American Red Cross launched a microsite dedicated to NADA contributors. Checks also can be mailed to: American Red Cross, Japan Earthquake and Tsunami Relief, P.O. Box 37242, Washington, DC 20013.

"The magnitude of the disaster in Japan keeps growing. Relief needs are staggering," said Stephen Wade, NADA chairman. "We're reaching out to dealers and their employees across the country to help support the international relief efforts in Japan."

In other NADA news . . .

• Alabama NADA Director Forrest McConnell testified before a House subcommittee on the perils of multiple **fuel economy standards**. McConnell spoke in early March on the Environmental Protection Agency's authority to regulate greenhouse gas emissions from tailpipes.

McConnell told a House Energy and Commerce Subcommittee that a redundant set of three fuel-economy standards could hurt auto sales by increasing costs and restricting vehicle availability, thus directly affecting the nation's fragile economic recovery and hurting job creation.

Currently, automakers must comply with three different programs administered by the National Highway Traffic Safety Administration, the EPA and the California Air Resources Board.

McConnell urged Congress to return to a single standard that considers national factors, such as jobs, safety and consumer demand because that would more effectively increase fuel savings, enhance economic growth and protect the environment.

"Auto dealers support fuel-economy increases, but federal regulators must realize the health of the U.S. economy and job growth hinges on the success of auto manufacturing and auto retailing," said McConnell.

"Allowing the auto industry to offer new vehicles that are affordable and in demand—and most important, more fuel-efficient—will increase fuel savings, cut greenhouse gas emissions and create jobs.

"Duplicative and sometimes conflicting rules could increase the cost of a new car or truck and may limit the availability of certain models. How is that good for the consumer? If car buyers delay new-vehicle purchases and choose to hold onto their older car longer, how is that good for the environment? How is that good for job creation?"

The NADA endorses legislation currently under review by the House Energy and Commerce Committee that will better balance fuel and emissions reductions without needlessly increasing the cost of new cars and trucks.

In a letter to committee chairman Rep. Fred Upton (R-Mich.), David Regan, NADA vice president for legislative affairs, urges support for H.R. 910, the Energy Tax Prevention Act, because beginning in Model Year 2017 it "would return regulation of motor vehicle fuel economy to a single national standard," with rules set by Congress under the Corporate Average Fuel Economy program.

• NADA Guide predicts rising fuel costs will impact **used-vehicle prices** and trade-in values across all vehicle segments, said Jonathan Banks, executive automotive analyst for the NADA Used Car Guide.

"The upward trend in gasoline prices will have an impact on consumer preferences for vehicles and will impact used-vehicle prices. But it will pale in comparison to the situation in 2008, when gasoline prices last spiked," Banks said.

Gasoline prices climbed more than 35 cents in March, driven by speculation that the country will experience a shortage in oil supply because of disruptions in oil production in the Middle East and new concerns after the devastating earthquake and tsunami in Japan.

"The impact to vehicle production from the earthquake in Japan is limiting the supply of many fuel-efficient cars like the Toyota Prius," Banks added. "These vehicles were already tight on inventory. Over the next month, demand should easily outstrip supply in the new market, driving more consumer demand toward used cars and trucks.

"Historically, a sharp increase in fuel prices has been followed by a decline in large, used SUV prices and, conversely, resulted in an increase in prices for used compact cars," Banks said.

• I am very excited as I begin my first three-year term as an NADA director representing dealers in Cook, Lake, and DuPage Counties. If you have a concern with which you think I can help, please contact me at my Antioch dealership, Raymond Chevrolet-Kia, at (847) 395-3600 or marks@raymondchevrolet.com.

2-year window of opportunity: Big estate-planning changes thru 2012

By Jeremy Noetzel and Marvin Hills
Crowe Horwath LLP

The scheduled expiration of the 2001 and 2003 tax cuts at the end of 2010 generated considerable uncertainty last year. When Congress eventually acted on the issue in mid-December, the outcome was a surprise to almost everyone. The new law retroactively institutes a 35 percent estate tax with a $5 million exemption, and allows a "step-up" in basis. It also gives executors of decedents who died in 2010 the ability to opt out of paying estate tax in exchange for accepting a "modified carryover" basis in the estate's assets.

Equally surprising was the fact that the lower-than-expected rates and higher-than-expected exemptions also apply for gift tax purposes. But the advantages of this situation are tempered by the fact that these provisions are once again only temporary and due to expire at the end of 2012.

For this reason, the next two years will offer dealers with sizable estates some significant but time-limited estate-planning opportunities. Even those with modest-sized holdings should begin re-examining estate plans immediately to determine how best to respond.

Most of the headlines generated by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (2010 Tax Act) revolved around the extension of Bush-era income tax rates. For automobile dealers and other business owners with estate-planning concerns, however, the changes to the federal wealth transfer tax system, including changes to estate and gift tax regulations, can be even more significant than the income tax rate extensions.

Here are some key provisions:

• **Estate Tax**. The 2010 Tax Act established a new top estate tax rate of 35 percent, a sizable cut from the top rate of 45 percent that was in effect in 2009. It also increased the amount that can pass estate-tax-free from $3.5 million to $5 million. In addition, any unused estate tax exemption amount of one spouse can be transferred to a surviving spouse. This new "portability" rule is confusing but basically allows spouses to take full advantage of each party's full estate exclusion amounts, even when one spouse does not have $5 million of personally owned assets.

• **Gift Tax**. The 2010 Tax Act extended the 35 percent gift tax rate already in effect for two more years. It also increased the gift tax exemption amount from $1 million to $5 million, unifying both the lifetime gifting exemption and the death-time estate exemption for the first time since 2003. The increased gifting exemption provides new opportunities for taxpayers to make lifetime transfers without incurring gift tax.

• **Generation-Skipping Transfer Tax**. The GST rate was also cut to 35 percent (down from the 45 percent rate in effect in 2009) and, like the estate and gift tax exemptions, the lifetime GST exemption was also increased, from $3.5 million to $5 million. Unlike the estate and gift tax exemptions, though, the new law does not provide portability for the GST exemption.

Uncertainty After 2012

Going forward, these new tax rules only apply to wealth transfers made in 2011 and 2012. Unless Congress acts, however, on Jan. 1, 2013, the tax laws will revert back to their 2001 provisions, which included a top rate of 55 percent for estate, gift, and GST taxes, a $1 million estate and gift tax exemption, and a GST tax exemption of $1 million adjusted for inflation.

The increased gift and GST tax exemption amounts for 2011 and 2012 create some important new opportunities to transfer wealth out of your estate and achieve significant savings in future estate taxes. Specifically, for the next two years, in addition to any unused portion of the former $1 million gift tax exemption that still exists, you can now transfer an additional $4 million without incurring gift tax. For married couples, that presents an opportunity to transfer as much as $10 million out of their estate.

Even more important than the actual transfer amount, such lifetime gifts also remove all future appreciation in the transferred property from the donor's taxable estate, which could result in even greater estate tax savings over time. But because there is no certainty that the increased exemption amounts will extend beyond 2012, it is important to take advantage of this wealth transfer opportunity now.

Although transferring as much as $5 million out of a donor's estate—or $10 million out of a couple's estate—will produce obvious and significant estate tax savings, the direct transfer of wealth is only the beginning of the opportunity.

Even greater savings can be achieved by compounding the effects of the increased transfer tax exemptions through the use of other estate planning techniques.

One frequently used technique for taking advantage of the gift and GST tax exemptions is to create an irrevocable trust that intentionally, and legally, violates the income tax "grantor trust" rules of the Internal Revenue Code, a technique commonly referred to as an intentionally defective irrevocable trust. Because the trust will violate the grantor trust rules, the Internal Revenue Service will treat the trust as if it does not exist for income tax purposes.

For estate and gift tax purposes, however, the IRS will treat the trust as if it does exist. To employ this technique you would give cash or other assets to the trust in an amount usually equal to 10 percent of the value of the assets that you intend to sell to the trust.