



CATA Bulletin



a biweekly newsletter

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Sign-up underway for CATA's next fixed ops Bootcamp, Jan. 23-26

Service directors and managers who have enrolled in the CATA's new training for fixed ops personnel continue to laud the instruction and the chance to interact with their counterparts from other area dealerships.

A four-day Service Management Bootcamp precedes a 20 Group that meets three times annually over three years. Enrollment costs are significantly reimbursed to dealers whose employees complete the program.

The next Bootcamp meets at the CATA Jan. 23-26. Call Jim Butcher at 630-424-6020 to register.

Mike Barich, service and parts director of Elgin Toyota, completed the latest Bootcamp in November. His 20 Group commences in January. The Bootcamp lead instructor is Lloyd Schiller, founder of Dealer Service Corporation.

"It was the best training I've ever participated in, in 17 years," Barich said. "Lloyd has a fantastic knowledge of fixed operations and what your customers want."

Barich also looks forward to the 20 Group. "It will allow me to sit and talk about day-to-day activities like I can't

do with a friend or family member. If I said to my family, 'I had a customer come in today and . . .,' I might as well be speaking in a different language. This will let me share a conversation for feedback from peers."

A four-day meeting for the Bootcamp seems imposing, but Barich said the instruction provided would be less effective if presented in nonconsecutive days.

And continuing education, Barich said, is vital for all dealership employees, from all departments. "We've cho-

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On organizing a safety committee

Is your dealership as safe as it could be? A dealership safety committee is an excellent first step for protecting customers, employees, and your business. This month's article offers some tips on organizing a dealership safety committee.

As of this writing, OSHA's top dealership violations are:

1. Hazard communication
2. Respiratory protection
3. Personal protective equipment/general requirements
4. Wiring methods, components, and equipment for general use

5. Air contaminants
6. Portable fire extinguishers
7. Guarding floor and wall openings and holes
8. Spray finishing using flammable and combustible materials
9. Electrical/general requirements
10. Medical services and first aid

These and other workplace hazards can put you, your employees, and your customers at risk of injury; risk property destruction, costly legal action, or worse. Eliminating these hazards

SEE **SAFETY**, PAGE 4

Advance tickets to '07 auto show on sale now

Tickets that admit the holder to the 2007 Chicago Auto Show free or at a reduced price can be ordered by CATA members using the order form included with this newsletter.

The tickets promote goodwill among customers and even can entice prospects to close a deal.

Standard admittance to the Chicago Auto Show is \$10 for adults. The CATA makes available to its members General Admission tickets and Weekday Discount vouchers are available. The former, which cost CATA members \$600 for 100 tickets, admits the holder to the auto show free, without a box-office wait. The latter costs members \$100 for 100 vouchers which holders can redeem at the auto show box offices for a \$5 weekday admission savings.

To order either, complete the form included in this newsletter and fax to the CATA at 630-495-2260.

2006 year-end

BY WOODWARD & ASSOCIATES, INC.

CERTIFIED PUBLIC ACCOUNTANTS, CATA MEMBER

As 2006 comes to a close, CATA allied member Woodward Associates, Inc., 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 2006 as vehicle purchases in 2006 by keeping the new vehicle purchase journal open the first few days of 2007.
- Keep your accounts payable journal open to record all 2006 expenses in 2006 including advertising, interest, utilities, telephone, gasoline, data processing, insurance, property taxes, etc.
- Adjust your property tax payable account to equal the total you actually paid in 2006.
- Account for all missing documents.
- If any vehicle deal is not a 100 percent **completed deal** in 2006, then treat it as a 2007 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. Make sure that a reasonable estimate of your LIFO adjustment for the year is on all versions of your December financial statement. There are no exceptions. If there is not a separate LIFO cost of sales account, the best place to charge the LIFO estimate is 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. You may want to consider adopting USED VEHICLE LIFO. The IRS has developed an acceptable "alternative used vehicle LIFO" method similar to the new vehicle method. However, because used vehicle prices are currently declining, electing LIFO may not be beneficial at this time.

4. Compare your actual parts inventory to the accounting parts inventory and make any adjustments where appropriate. Have your parts manager determine which parts would 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 parts that have been disposed and that the appropriate entry is made to remove the costs from the inventory. Have the parts manager give you a copy of

their parts inventory summary that shows the dollar amount of parts in inventory at the end of the year along with an aging of the inventory.

5. If you have any building repair or maintenance items such as painting, etc. that needs to be done in the next few months, try to have these performed by the end of 2006.

6. Review current year fixed asset additions to determine if the costs should be capitalized or expensed. Generally, assets with a cost in excess of \$500 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 assets.

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 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 and you may be required 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 in voiding any checks written to the state as many of the state departments are behind in their processing.

10. Make sure all payroll tax and sales tax payable accounts equal the actual amount of the applicable taxes paid in 2007 for the 2006 fourth quarter and year-end filings. The payroll tax accrual can only include taxes owed on wages actually paid in 2006.

11. Make sure you have records of your 2006 meal and entertainment expenses available. Travel expenses and the

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 630-495-CATA [2282] phone 630-495-2260 fax

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

Jerry H. Cizek III President, Publisher
Erik K. Higgins Editor, Director of Dealer Affairs

checklist for dealers

cost of a Holiday party for employees should not be included in this amount.

12. Be sure that you are in compliance with Internal Revenue Service rules and regulations regarding retaining a copy of the backup of each month's accounting records on electronic media.

13. 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. Have your office staff show you the Form 8300s filed for 2006 so you know this function is being performed.

14. Make sure IRS Form 1099-MISC is issued to all non-employees and businesses that are not incorporated that received \$600 or more in 2006 for payment of services, awards, commissions or fees for services. 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-employees to see if they should really be considered employees for payroll tax purposes.

15. Make sure that all wages and commissions that are paid in 2007 for 2006 services have been accrued in 2006. Also, make sure the first payroll in 2007 is **not** included on your W-2s for 2006, but will instead be on the W-2s for 2007 (based on the date the payroll checks are handed out even though some portion of the payroll was for 2006 services). If you are an "S" Corporation, any shareholder owning more than 2 percent of the stock cannot have wages accrued for them. In order to take a deduction for those wages, you must pay them in 2006 so that they are included on the 2006 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 the deduction this year. Make sure they are reasonable in total. All accrued payroll for non-shareholders must be paid no later than March 15.

17. Make sure interest is paid on loans to or from shareholders or other parties that are on the dealership's books by year-end. Also, be sure an IRS form 1099 is issued for this interest and any rents paid to individuals.

18. Review procedures for the use of demonstrators to insure 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 full-time 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 which 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 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 full-time 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 nonemployees 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 the end of the year.

20. If you make gifts to relatives each year for estate tax purposes, make the payment by the end of the year.

21. Make sure you have made all required personal and corporate income tax deposits for 2006 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.

22. If you plan to make any charitable contributions, consider making them in 2006 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 2007 election forms before the first 2007 payroll. Remember,

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Safety

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therefore should be a top priority at every dealership.

An effective dealership safety committee is a valuable resource through which your dealership can establish and monitor workplace safety standards and practices, encourage coordination of safety efforts among departments, and communicate important information to dealership employees.

Begin by selecting a safety coordinator to oversee safety efforts. The safety coordinator position may be a dedicated position or, more likely, an additional responsibility assumed by a current employee.

Natural candidates may include your facility manager, general manager, or office manager, or a fixed operations manager. The safety coordinator acts as the committee chair, and we suggest that at least one other permanent member is a fixed operations manager.

Ideally, the committee should consist of representatives from every dealership department and should include both permanent and rotating members. Permanent members provide guidance for the rest of the committee

and allow for continuity in establishing and monitoring dealership safety policies and practices. Rotating other committee members every six months or so lets the committee hear fresh perspectives, and it gives more employees a chance to participate in the dealership's safety efforts. Dealership circumstances best determine how to balance your committee's permanent and rotating members.

The safety committee should meet regularly (at least monthly) to identify current workplace hazards and potential solutions, discuss efforts to eliminate prior workplace hazards, report any workplace accidents and related corrective measures taken, and assess current training efforts and future training needs.

A pro-active safety committee will help you and your employees create a safer, more productive workplace.

This article is adapted from the study guide for NADA Management Education's new training video, "*An Ounce of Prevention*." The 25-minute DVD and accompanying study guide are now available at www.nada.org/mecatalog or by calling 1-800-252-6232, ext. 2.

New cars most affordable since '80

Shrinking unemployment and only slight increases in new-car prices have made new vehicles the most affordable since 1980, NADA Chief Economist Paul Taylor said last week.

Though real economic growth will decline in 2007, to 2.5 percent from this year's average 2.9 percent, Taylor said he expects new-vehicle affordability to continue to attract customers next year. He said that would help to maintain 2007 sales

at nearly this year's level.

An average-priced new vehicle in third-quarter 2006 represented 23.6 weeks of median family income, the Comerica Bank Auto Affordability Index reported. It is the third consecutive decline in the quarterly index.

In the third quarter, the average-priced light vehicle cost \$26,500, including finance charges, down 5% from a year ago. Meanwhile, median family income rose about 5% in the past year.

Bootcamp

CONTINUED FROM PAGE 1
sen a profession," he said, "of continuous education and constant change. Those who stay on top reap the most benefits."

The CATA's training for fixed ops personnel launched in September, following months of planning by the CATA board of directors. The program helps service directors and managers to set and exceed objectives; and increase market share, gross profits, efficiency, and self-satisfaction and resultant employee retention.

Enrollment through other dealer associations typically costs \$2,800 for the

Bootcamp, plus \$250 a month over the three-year 20 Group. Special CATA prices are \$1,000 for the Bootcamp and \$160 a month for 20 Group tuition.

In addition, for those who complete the 20 Groups, the CATA will rebate to their dealers 50 percent of the first year's tuition, 75 percent of the second year's tuition, and 100 percent of the final year's tuition.

An important point, since the participants all reside in the same market: a dealership's financial information is compared against manufacturer-specific averages and benchmarks, but not against the financial numbers of classmates.

Year-end

CONTINUED FROM PAGE 3

stockholders owning more than 2 percent in "S" corporations (LLCs, etc.) are not eligible to participate.

24. W-2's for "S" Corporation shareholders should include income for health insurance premiums paid by the corporation. This amount is not subject to Federal

FICA tax.

25. If your retirement plan allows changes throughout the year, maximize your deductible contributions, \$15,000 for a 401(k) plan, and \$20,000 if over age 50. 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.