Dealers permitted 14 days to correct faulty billboard ads

Under the dealer advertising review program coordinated by the Better Business Bureau, dealers found to have an ad not in compliance with the Illinois Motor Vehicle Advertising Regulations are given five days to respond and change the ad, to make it compliant.

But the BBB concedes that the five-day turnaround might not be possible with billboard advertising.

“The five-day limitation is too short to allow for changing a billboard that contains an advertising violation,” said Patricia Kelly, senior counsel of the BBB-Chicago office.

Fight looms to exempt dealers from consumer protection agency bill

The Senate Banking Committee in March passed its version of financial re-regulation which includes a new consumer protection agency that would envelop dealer finance and insurance operations, and would not exempt dealers.

President Obama said he would not accept loopholes “for the most egregious abusers of consumers, from payday lenders to auto finance companies. . . .”

CATA: Working for you

The four-year pact with the union that represents stockroom attendants, garage attendants, drivers and utility employees such as drivers expires July 31. As a service to its members, the CATA retains attorneys to negotiate a new agreement with Teamsters Local 731.

Dealers fined for absent plate

Intersection cameras watching for more than moving violations

Illinois has several automated traffic enforcement laws, mostly red light cameras that generate tickets when drivers fail to obey traffic signals.

But some cameras are catching more than rolling stops.

Several dealers recently alerted the CATA about $100 fines they received because company cars they or their employees drove did not have license plates on both the front and rear of the cars.

The fault likely stems from employees who were too hurried to affix two plates on a test-drive vehicle or who were trying to stretch the supply of plates at the dealership.

As a reminder, the Illinois Vehicle Code demands that vehicles owned by state residents or businesses be equipped with both front and rear license plates.
What health care reform means for businesses and individuals

The ballyhooed health care-reform legislation became law March 23, but its aspects will be phased in between 2010 and 2018. According to the Congressional Budget Office and various media reports, individuals and businesses can expect the following from the Health Care and Education Affordability Reconciliation Act of 2010:

- **Starting this year**, small businesses will receive subsidies to provide health care coverage to employees. Subsidies will increase in 2014, when mandatory coverage goes into effect. Also in 2010, any lifetime caps on health coverage (frequently set between $1 million and $5 million) will be eliminated for both group and individual health plans. And, insurance companies will be barred from denying coverage to children with pre-existing conditions; and children will be allowed to stay on their parents’ insurance policies until their 26th birthday.

- **Starting in 2011**, employers will be required to disclose the cost of workers’ health coverage on their W-2’s. In addition, effective Jan. 1, 2011, over-the-counter drugs no longer can be reimbursed from a health care flexible spending account, health reimbursement account or health savings account unless prescribed by a physician.

- **Starting in 2013**, a new Medicare tax will be imposed on individuals earning more than $200,000 a year and on couples filing jointly who earn more than $250,000 a year. The Medicare tax on wages will increase from 1.45 percent to 2.35 percent; a new 3.8 percent tax on unearned income will go into effect; and an excise tax of 2.3 percent will be imposed on the sale of medical devices. Also in 2013, health care reimbursement account contributions will be limited to $2,500 per year, indexed annually.

- **Starting in 2014**, all U.S. citizens and legal residents will be required to purchase health insurance, with limited exceptions for low-income people. Individuals who choose to remain uninsured will incur a penalty. Those individuals who cannot afford health insurance will receive financial aid from the federal government on a sliding scale of up to 400 percent of the poverty line. Also employers with more than 50 employees that do not provide affordable coverage must pay a fine if their employees receive tax credits to buy insurance. The fine may be as much as $3,000 per employee, excluding the first 30 employees. In addition, the insurance industry must pay annual fees ($8 billion in 2014, rising in subsequent years).

- **Starting in 2015**, the penalty for those who do not carry mandated coverage will increase to 2.0 percent of taxable income or $325, whichever is greater, and the penalty in 2016 will increase to 2.5 percent of taxable income or $695, whichever is greater.

Illinois bill passed to grant small business job creation tax credit

Legislation before Illinois Gov. Pat Quinn would implement the governor’s proposed job creation tax credit for small businesses with a catch: businesses would not see the impact of the credit until Fiscal Year 2012 and only after certain conditions are met.

In his proposed budget for FY 2011, Quinn announced his intent to provide a $2,500 tax credit for each new hire at a business that employs not more than 50 full-time employees. Both the governor and the legislative sponsors say the credit will generate an additional 20,000 jobs, but that figure is based on a credit cap of $50 million.

But an amendment to Senate Bill 1578 requires these small businesses to employ all new hires for 12 months before claiming the credit, meaning the legislation would have no fiscal impact in FY 2011; the state would not be obligated to begin awarding eligible businesses the credit until FY 2012.

The legislation also requires employers seeking the tax credit to apply to the Department of Commerce and Economic Opportunity for pre-certification at the time of the initial hire. Eligible businesses are also subject to the terms and requirements of the Corporate Accountability Act, which subjects businesses to a number of reporting requirements.

The legislation passed both legislative chambers March 25, meaning Quinn has until about May 1 to sign or veto the measure.

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Marketplace

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Sticker shockers

Car prices making a comeback

Automakers have been stepping up their discount lease offers, rebates and no-interest loans in response to a wave of new incentives from recall-plagued Toyota.

The deals have triggered a big bounce in sales at Toyota dealerships, where March numbers were up 35 percent for the month, according to Bloomberg News.

“The industry has been recharged by incentive offers from Toyota and other automakers,” observed Jessica Caldwell, a senior analyst for Edmunds.com. “There is a lot of money in the marketplace right now, and people are responding.”

But the discounts are likely temporary and won’t change the fact that overall, vehicle prices have been increasing in recent months after several years of stagnation. The big reason is that carmakers are doing a better job of aligning their production with lower consumer demand.

With leaner inventories, manufacturers been able to use more restraint when it comes to profit-sapping incentives (that is, until the Toyota crisis popped up). A strong used-car market also has helped prop up prices for new cars.

The average selling price for a typically equipped new vehicle in January was $29,404, up from an average of about $28,100 for the same month during the previous three years, according to Edmunds.com. Though sticker prices were increasing between 2006 and 2009, so were incentives, keeping the average transaction price essentially flat.

But in January 2010 average incentives fell $368 compared with the prior January, while the average manufacturer’s suggested retail price kept climbing, to $31,039. (To best reflect price trends, Edmunds.com based its calculations on sales volume, including the mix of vehicle makes and models for each month, as well as on the proportion of vehicles for which each type of incentive was used.)

Gradual price increases, of course, are natural, especially when a car is redesigned or new equipment is added. And many consumers have gravitated toward models with bells and whistles that cost more, like in-car entertainment systems, navigation systems and fuel-saving turbo-charged engines.

Still, an analysis of February sales data by Edmunds.com shows that some carmakers have been able to hike prices more than others.

Ford Motor, for instance, riding a wave of goodwill from its refusal to seek a government bailout, was able to reposition its redesigned 2010 Taurus sedan and raise the car’s average selling price by $6,200. Before the redesign the Taurus had been relegated to rental car lots, fetching an average $25,247.

After the redesign, which added loads of new technology, a typical Taurus now sells for $31,458, an increase of nearly 25 percent.

Ford also raised prices on several of its Mercury brand vehicles by eliminating lower-end style levels. The typical Mercury Mariner crossover, for instance, now sells for about $4,000 more after Ford dropped the entry-level four-cylinder engine.

The Mercury Mountaineer SUV now sells for an average $36,131, or about $5,500 more than the 2009 version, after Ford dropped lower-level styles for the 2010 model year.

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Ford’s Lincoln MKZ sedan now sells for 20 percent more after a minor freshening for 2010 that included fuel economy improvements. Its average selling price is now $38,562, up more than $6,400 over the 2009 MKZ.

General Motors has enjoyed similar pricing power. When GM launched a sleekly redesigned version of its Buick LaCrosse recently, the average transaction price rose $4,890, or nearly 18 percent over its predecessor. The typically equipped 2010 LaCrosse now sells for $32,521.

GM also was able to raise prices substantially on some of its vehicles by introducing new, better-equipped styles for 2010. The typical Chevrolet Suburban is fetching $51,383, or 21 percent more than the 2009 model, after GM made it easier to buy popular features such as remote vehicle start, adjustable pedals and rear parking assist.

The Cadillac STS also has more available features and is selling for $49,106, or $3,770 more than the 2009 version.

Korea’s Hyundai Motor, which has considerably boosted its quality image, is also benefiting from higher pricing. Its redesigned 2010 Tucson crossover is selling for an average $25,602, up 21.5 percent over the 2009 model.

Among luxury makers, Mercedes-Benz saw the biggest price leap with its R-class, which added an improved diesel engine in the 2010 model. It now sells for an average $55,467, which is 24.5 percent higher than the 2009 R-class.

Even Toyota—despite the need for heavy discounts on many of its models to counter bad publicity—was able to hike prices on the FJ Cruiser SUV, which is not affected by the recalls. Its average transaction price is up 19 percent to $29,322, after the addition of more features at the standard level and a more powerful engine.
Estate tax deal to be reached before June?

While Democratic leadership and the Obama administration focus their efforts on financial regulatory reform, a bipartisan effort is underway to reach a deal on the estate tax, or what some refer to as the “death” tax.

With a tight deadline of the May 31 Memorial Day holiday, Senate Minority Whip John Kyl (R-Ariz.) said in late March that he would be focusing on fixing the estate tax because “[the delayed fix is] driving estate-planners nuts.”

Days earlier, House Ways and Means Committee Chairman Sander Levin (D-Mich.) introduced a proposal to get the ball rolling on this issue.

If Congress fails to act quickly, the currently repealed estate tax will go back to 55 percent in 2011, with an exemption of $1 million per spouse. The good news, however, is that both parties agree against the previously proposed retroactive tax rate of 45 percent, which would go back to Jan. 1, 2010.

Sens. Kyl and Blanche Lincoln (D-Neb.) have been working together on a fix for the estate tax before it sunsets at the end of this year. Their proposal would enact a rate of 35 percent with an exemption of up to $5 million for couples.

If that were to become law by Memorial Day, then the law would be effective for everyone on June 1, 2010.

Regulation

CONTINUED FROM PAGE 1

Ed Tonkin, chairman of the NADA, immediately shot back, saying that auto financing had nothing to do with the onset of the country’s financial meltdown “because its lending model prudently focused, and continues to focus, on (i) the borrower’s ability to repay the financial obligation (and not the depreciating collateral that supports the obligation) and (ii) the dealer’s ability to retain the customer as a service customer and future vehicle purchaser.”

Dealers were exempted in December from the reach of the new Consumer Financial Protection Agency proposed by the House.


And unlike many banks, dealers also are subject to the full range of state consumer protection statutes.

“Consequently,” said Tonkin, “there is no basis to suggest that the new agency would fill a regulatory void in the area of dealer-assisted financing.”

Dealers are urged to contact their senators to exempt dealers.

Xchanging deflects unemployment claims

One hundred forty-nine CATA dealer members reported a combined 1,029 unemployment claims during the first quarter of 2010 to Xchanging, which has been serving CATA dealers under various names since 1979. The company’s efforts saved those dealers a total of $1.64 million in benefits by contesting the claims.

Xchanging monitors any unemployment claims against its clients and contests all unwarranted claims and charges. The company counts about 230 CATA dealers among its clients. Claims that can be protested and subsequently denied help minimize an employer’s unemployment tax rate. The rate can vary between 0.65 percent and 7.250 percent of each employee’s first $12,520 in earnings. The 2010 average unemployment tax rate among Illinois employers is 3.35 percent, or about $419 annually per employee ($381 in 2009).

“With the downturn in the economy, unemployment at record highs (12.2 percent in Illinois) and a drain on the Illinois Department of Employment Security trust fund, we can expect markedly higher tax rates for 2010 and probably for a couple of years after that,” said Paul Schardt, an Xchanging senior vice president.

“The unemployment tax is really the only controllable tax, in that it’s experience-driven,” Schardt said. An employee’s claim affects the employer’s tax rate for three years.

For new enrollees, client fees amount to $2.20 per employee, per fiscal quarter. For the fee, Xchanging monitors all unemployment claims; files any appeals; prepares employer witnesses for hearings, as necessary; represents the client at any hearings; verifies the benefit charge statements; and confirms the client’s unemployment tax rate.

To discuss retaining the company, call Schardt at (847) 824-4325.

In Memoriam

Julia (Eileen) Wickstrom, the mother and grandmother of several area dealers, died April 1. She was 87.

Her late husband opened Dick Wickstrom Chevrolet in 1963 at the dealership’s current address in Roselle. That store is run by her sons Casey and Danny.

Her oldest son, Tim, opened Wickstrom Ford in Barrington in 1984. Since then, Lincoln-Mercury and Chrysler-Jeep-Dodge lines have been added. The dealerships now are operated by Eileen Wickstrom’s grandsons, Colin and Richard Wickstrom.

Donations appreciated to Hospice & Palliative Care of Northeastern Illinois, (847) 381-5599.