



CATA Bulletin

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Roberts named to CATA board

Desmond Roberts, president of Advantage Chevrolet in Hodgkins, has been appointed to the CATA board of directors for the remainder of a term that expires in June 2006. He can seek re-election then.

The vacancy to the 18-member board came after the resignation of Dan Martino, who had served since 1997. Roberts, who was born in British West Indies and educated in New York City, has been in the auto industry since 1986. He is the first black to serve on the CATA board.

His board assignments include the Employee Relations, Auto Show and Secretary of State Liaison Committees.

Roberts also is vice president of the General Motors Minority Dealer Association and a board member of the Make a Difference Youth Foundation.

Chrysler display at Chicago Auto Show going mobile

Vroom!

When the Chicago Auto Show debuted in 1901 at the Colesium, at 15th Street and Wabash Avenue, the show included an oval track for exhibitors to demonstrate the mobility of the new horseless carriages.

Mobility returns in a big way in 2005, when the DaimlerChrysler display will feature a 2,200 foot long track on the show floor to highlight the strength and performance of Jeep, Chrysler and Dodge vehicles.

“We’re very excited to add this new component to the show,” said 2005 Chicago Auto Show Chairman Casey Wickstrom. “This, coupled with the larger show floor, widens the distance between us and all other auto shows in North America.”

Chicago Auto Show officials announced plans last February to expand the show floor 43 percent, to 1.2 million square feet. The show will span the McCormick Place North and South facilities, making it the largest auto show on one floor in the

world.

Show attendees will be able to ride as passengers of professional drivers who will put the vehicles through the paces.

Truckloads of dirt will be placed in the Jeep area, where the four-wheel drive units will conquer hills and ponds.

Chrysler’s portion of the track will demonstrate handling abilities and the vehicles’ interior designs that can overcome exterior noise.

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New financing class for CATA Learning University

A certification course for dealership F&I staffers has been added to the curricula of CATA Learning University. Six daylong classes are forming in January at the CATA offices in Oakbrook Terrace.

Tuition is \$500, but CATA dealers would be reimbursed 50 percent of that upon each employee’s successful completion of the course. That offer exists for all Learning University coursework.

Certification would be bestowed by the Association of Finance and Insurance Professionals. AFIP certification implies a technical competence and ethical conduct, and

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Auto Outlook now offers monthly data dissection

A new monthly supplement to the quarterly Chicago Auto Outlook is included with this newsletter.

Chicago Auto Outlook examines market conditions and trends for area sales of new vehicles. The new supplement gets some of that data to dealers faster.

Articles present new vehicle registrations based on numbers supplied by the Detroit-based data services organization, The Polk Co., then add meat to the bone by analyzing issues and trends.

Reader reaction to Chicago Auto Outlook is desired. Contact the CATA’s Erik Higgins at (630) 495-2282.

2004 year-end Income tax/

By MICHAEL SILVER AND Co., WOODWARD & ASSOCIATES, P.C., CPAs

1. Keep accounting records open at the end of December in order to:

- Record December finance chargebacks.
- Maximize LIFO deductions. Record all new vehicles that were in-transit at the end of 2004 as vehicle purchases in 2004 by keeping the new vehicle purchase journal open the first few days of 2005.
- Record all 2004 expenses including advertising, interest, utilities, telephone, gasoline, data processing, insurance, property taxes, etc.
- Account for all missing documents.
- Obtain a proper cutoff for vehicle sales. If any vehicle deal is not 100 percent **completed** in 2004, then treat it as a 2005 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. Review bank reconciliations for checks that are not expected to clear. Those 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 it has not been paid with a subsequent billing.

3. 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. The best place to charge the LIFO estimate is to cost of sales in a cost account that has no other activity if there is not a separate LIFO cost of sales account.

4. If you are not on LIFO for used vehicles, adjust all of your used vehicles to the lower of cost or current wholesale market value at year-end. You may want to consider adopting USED VEHICLE LIFO since there have been modest increases in the value of used vehicles during the year. Consult your tax advisor to determine the benefit of adopting used vehicle LIFO and required procedures for the election.

5. Compare your actual parts inventory to the accounting parts inventory and make any adjustments where appropriate. Review the parts inventory summary with year-end balances along with an aging of the inventory. Have your parts manager determine which parts should be considered worthless. Subject to your

review, dispose of these parts by year-end and make the appropriate entry in your accounting parts inventory.

6. 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 2004.

7. Review current year fixed asset additions to determine if the costs should be capitalized or expensed. Generally, assets with significant value and a useful life beyond a year should be capitalized and depreciated. Consider accelerating your purchase of capital assets to take advantage of the additional 50 percent bonus depreciation. This bonus is available for assets purchased on or before Dec. 31, 2004, with a depreciable life of 20 years or less. In addition, the 2004 Sec. 179 expensing election is \$102,000.

8. Carefully review prepaid assets. Expense all items in these accounts that are not prepaid balances at year-end.

9. Review all past due accounts receivable and write off those receivables that are uncollectible.

10. Make sure all payroll tax and sales tax payable accounts equal the actual amount of the applicable taxes paid during 2005 for the 2004 fourth quarter and year-end filings.

11. Make sure you have records of your 2004 meal and entertainment expenses on file. Travel expenses and the cost of the employee holiday party should not be included in this amount because these expenses are not subject to the 50 percent deduction limit.

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.

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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/

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

Accounting checklist for dealers

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Make sure you have properly filed the form for each transaction and notified the customer of the filing.

13. A Form 1099-MISC must be issued to all individuals (not corporations) who received \$600 or more during 2004 for the payment of services, awards, commissions, rent, or other fees. Review all of the non-employees to see if they would be considered employees for payroll tax purposes.

14. The IRS has automatic change procedures related to the method of accounting for trade discounts such as interest assistance that could provide a tax deferral if adopted. Consult your tax advisor for feasibility and procedures.

15. Make sure that all wages and commissions paid in 2005 for 2004 services have been accrued in 2004. However, since the wages related to these services will be included in the first 2005 payroll, they will not be included in the 2004 W-2s.

16. If you are taxed as a "C" corporation, make sure you pay any salaries, commissions or bonuses to stockholders (generally greater than 50 percent owners) and related parties before year end otherwise the amounts will not be deductible.

17. Accrued interest on loans to or from shareholders and other parties should be paid before year-end. Unpaid interest on these loans is not deductible until paid. Also, an IRS Form 1099 must be issued for interest paid.

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 provides them with tax-free use of the demos. 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 a vehicle valued at \$25,000, the daily inclusion is \$6. Under this method, employees are not required to maintain logs.

- For non full-time salespeople and other individuals, the annual lease value method is used. An income inclusion 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 income inclusion is to be added to each employee's W-2. Non-employee family member inclusion amounts must be also be included in the employee's W-2. Shareholders not on the payroll and non-employees must be issued a Form 1099 MISC for the income.

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 all required personal and corporate income tax deposits for 2004 have been paid. Review your personal income tax withholding to insure adequate amounts are withheld.

22. New for 2004 personal returns, you will be allowed to deduct the greater of sales tax paid during year or state income taxes paid. Under the old law, only income tax was deductible and you would have paid your projected state tax liability before year end in order to benefit from the deduction. However, under the new law, if you made significant purchases that are subject to sales tax, you will want to compare which tax gives you the greatest benefit.

23. If you plan to make any charitable contributions, consider making them in 2004 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 in excess of \$250.

24. If the dealership has a section 125 plan (cafeteria plan), make sure 2005 election forms are completed by the employees before the first 2005 payroll. Remember, stockholders owning more than 2 percent in "S" corporations (LLCs, etc.) are not eligible to participate.

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

26. Maximize your retirement plan contributions. The limit for 2004 is \$41,000 to profit sharing plans, net of any regular 401(k) plan contributions. The regular contribution limit for 401(k) plans is \$13,000. If you are age 50 or older, there also is a \$3,000 "catch up" contribution that can be made to a 401(k) plan, in addition to these limits.

Chrysler

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Dodge trucks will show off their strength, capability and toughness, as they haul various construction materials in their flatbeds.

Chrysler debuted a similar test track in April at the New York Auto Show, but it was confined to the Jeep segment.

“A display like this is precisely why we expanded the show,” Wickstrom said. “Once again, DaimlerChrysler saw the opportunity to stretch its creative legs and seized the opportunity to bring something spectacular to the public, who

buy its products.”

Wickstrom said: “The vast size of McCormick Place and the expertise of its dedicated labor force will combine to bring this incredible display to life in just one week. Chicago’s ability to stage such an area indoors will raise the bar for all auto shows. But only in Chicago can an exhibitor increase his display by 100,000 square feet in one year.

“And having 1.2 million contiguous square feet of show floor is unmatched anywhere on the continent. DaimlerChrysler’s plan is bold and exciting. We congratulate them for their vision.”

Advance tickets to '05 auto show on sale now

Tickets that admit the holder to the 2005 Chicago Auto Show free or at a reduced price can be ordered by CATA members using the order form included in this newsletter.

The tickets promote goodwill towards customers and even can help to close a deal.

Two kinds of advance tickets are available, both at a saving over the \$10 box office price. General Admission tickets, which cost CATA members \$600 for 100 tickets, admit the holder to the auto show free, without a box-office wait.

Weekday Discount tickets cost CATA members \$100 for 100 tickets and admit the holder for \$5 during the week.

A minimum 100 tickets must be purchased with either order. To order, call or fax the CATA’s Tom Hunt, using the enclosed flyer.

Financing

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is considered “the MBA of the F&I profession.”

AFIP offers F&I certification training in conjunction with six other state and metro dealer associations and is in discussions with several more. The training supports a series of specific steps taken by the National Automobile Dealers Association to improve the transparency for consumers of the vehicle financing process.

The NADA in 2002 drafted a code of ethics which encourages dealers to disclose to consumers that the finance rate may be negotiable and that deal-

ers may retain a portion of that charge for helping them to secure credit. The CATA advocates that code of ethics.

The CATA course will review federal and state regulations that govern the F&I process, the rules relating to the sale of aftermarket products, basic F&I product knowledge, and an overview of standard contract forms.

“F&I is one of those unique occupations where stupidity will get you into as much trouble as dishonesty,” said AFIP Executive Director David Robertson. “Knowledge of the rules is essential.

“It is also important to note that, given the vast array of customer-related circumstances encountered over a pe-

riod of time, a specific rule may be approached from many different angles.”

The process of applying to each deal the various customer conversion techniques and an in-depth knowledge of the products sold is the ultimate determinant of whether all the requisites of a successful F&I transaction have been satisfied, Robertson said.

The AFIP, based in Texas and founded in 1989, has certified more than 4,000 F&I practitioners and dealer-contact people in the United States, Canada and England.

The CATA will conduct a special mailing to dealers in December with dates of the January classes.

Scam alert

In a transaction begun over the Internet, a Netherlands man issued a counterfeit check drawn from a Canada bank for two used vehicles at an area dealership. The cars were not delivered, but the dealer lost \$1,500 on the currency exchange. The dealer’s bank advised that overseas checks should not be deposited, but rather given to banks “for collection only.”

2005 DOC fee

The maximum permissible Illinois documentary service fee for 2005 will be announced about Dec. 13. The fee is tied to the Consumer Price Index for a 12-month period ending Nov. 30 and is calculated by the U.S. Labor Department.

All CATA members will be alerted about the new fee, which cannot be assessed before Jan. 1.