



Volume 112, No. 13

July 6, 2015

Upcoming DealersEdge webinars

Dealers are encouraged to take advantage of a partnership between The CATA and DealersEdge to provide high-quality training and informational webinars to dealers at a significantly discounted rate.

The rate for CATA members for the weekly presentations is \$149, or half what is charged to viewers who do not subscribe to DealersEdge. And to help introduce a new audience to them, DealersEdge will permit CATA members to view one of the next three webinars free. 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 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:

Premiering Thursday, July 9 at 12 p.m. CDT

“The Auto Controller WOW Factor: 5 Sure-Fire Ways to Create Quick Storewide Improvements”

Counting the money is an important job, but exceptional controllers do so much more. Learn what you can imple-

SEE **WEBINARS**, PAGE 2

Auto sales set for big second half

After much better than expected sales in the first half of 2015, U.S. dealerships are poised to enjoy a very strong second half of the year. So strong, in fact, that analysts are starting to raise their estimates for full-year sales.

“A couple of months ago we thought sales would start to level off and maybe pull back, but now we’ve changed our forecast,” said Jeff Schuster, senior vice president of forecasting for the consulting firm LMC Automotive.

Schuster has raised his forecast for total U.S. auto sales this year by 75,000 vehicles to a new target of 17.1 million vehicles.

What’s behind the higher forecast? The relatively strong economy, low unemployment rate and still lingering pent-up demand because the average vehicle in the U.S.

is more than 11 years old.

Schuster doesn’t see those factors changing anytime soon. In fact, he expects a sales rate of at least 17 million vehicles for every month the rest of this year.

“This current run of strong sales has some legs to it,” said Schuster.

The National Auto Dealers Association agrees. Its new forecast for 2015 auto sales is up 230,000 vehicles over its previous target, to 17.17 million units. The NADA also believes the strong second half of the year will continue in 2016. It’s targeting annual sales next year of 17.62 million vehicles.

If the two years combine for more than 34 million new-vehicle sales, it would be the strongest two-year period of auto sales since 2000 and 2001.



Host a fundraiser July 18!

For details and to register, call the CATA, (630) 495-2282.

Auto loans near record numbers

Average payment almost \$500

With new-vehicle prices climbing to all-time highs, a record number of Americans are turning to leases in a bid to keep monthly payments as low as possible.

“The difference between a monthly payment for those leasing a new vehicle versus those who buy new is almost \$100,” said Melinda Zabritski, senior director of Experian Automotive.

Officially, the latest report on automotive lending by Experian found the average new-vehicle lease monthly payment in the first quarter was \$405 while the average monthly payment for a new-vehicle loan was \$488.

In addition, while the average monthly payment for those buying a new vehicle increased \$14, the average monthly payment for those leasing actually fell \$7 compared to the same time last year.

The numbers help explain why Experian found an all-time high of 31 percent of new vehicles financed in the first quarter were leased. Just five years ago, Experian said, the percentage of new vehicles leased was 24 percent.

“Leasing has become more popular because the price of vehicles continues to go up,” Zabritski said. “Consumers are looking for lower monthly payments, which is why more of them are extending the terms of their loans.”

In the first quarter, the av-

erage length of new-vehicle loans hit an all-time high of 67 months, according to the report. Furthermore, a record 29.5 percent of those taking out a new-vehicle loan stretched their loans out between six and seven years, according to Experian. The report also found an 18.6 percent increase in those new vehicle loans with terms between 73 and 84 months.

The primary factor driving the move to longer auto loans and more leasing is the rising cost of new cars, trucks and SUVs.

With the average vehicle transaction price (what’s paid at a dealership) climbing above \$31,000, according to numerous auto industry analysts, the amount consumers are financing has hit an all-time high, Experian said.

In fact, the report found the average amount financed for a new-vehicle loan in the first quarter jumped more than \$1,000 to a record high of \$28,711.

Experian reports that the average amount financed for a used vehicle bought in the first quarter was \$18,218, an increase of almost \$300.

Despite the increase in new- and used-vehicle prices, the percentage of loans in delinquency or ending in default with the vehicle being repossessed has actually dropped in the last year.

“This is still a very healthy auto market with strong fundamentals,” Zabritski said.

Webinars

CONTINUED FROM PAGE 1

ment today to bring quick bottom line improvement.

Christine Andrews and Rob Campbell of The Mironov Group will teach you:

- the most useful tools to maintain profits
- how to help department managers improve their profit performance
- the importance of accruals to the bottom line
- where real profits are hiding on the balance sheet
- what measures controllers can take to drive improved store-wide performance

Premiering Thursday, July 16 at 12 p.m. CDT

“Which Government Agencies are Targeting Auto Dealers, and How to Reduce Your Exposure” Discover the top areas for enforcement and penalty currently costing other dealerships a bundle! An examination of high risk areas for all dealership departments.

When it comes to government regulation and enforcement, it seems that auto dealerships have a huge target painted on their rooftops. Laws and regulations impacting auto dealers are many. However, this workshop will focus on the top enforcement threats facing most auto dealers today and how you can prepare and adjust to lessen your dealership’s exposure.

You will learn:

- which federal and state regulators are most active in dealerships right now
- the most common enforcement actions taken against dealerships today
- about the specific enforcement cases and the resulting monetary damages
- specific risks for Variable Operations, Fixed Operations & Human Resources
- Best Practices to Avoid these very real potential liabilities



The CATA Bulletin is published by the
Chicago Automobile Trade Association
18W200 Butterfield Rd. Oakbrook Terrace, IL 60181-4810

The CATA Bulletin is distributed via blast e-mail every other Friday except during the Chicago Auto Show, when it is not produced.

Listings of items for sale are subject to the approval of the CATA. Candidates for employment must submit a full resume to the Editor.

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

David E. Sloan
Erik K. Higgins

President, Publisher
Editor, Director of Dealer Affairs

Chicago's minimum wage raised to \$10/hour

The new Chicago minimum wage ordinance that took effect July 1 raised the minimum wage for all non-exempt employees at dealerships located within the Chicago city limits to \$10.00 an hour.

The hike is the first in what will be five annual increases in the minimum wage, culminating at \$13.00 an hour beginning July 1, 2019.

It is worth emphasizing that this increase applies to all non-exempt employees, such as clericals and service employees. It also applies to sales rep-

resentatives — salespeople are exempt from overtime pay requirements but not from minimum wage requirements.

Application of the minimum wage requirements to union-represented employees has been previously communicated to all impacted dealers.

Questions regarding the application of this new law can be directed to the CATA's employee relations counsel, Dave Radelet and his team at Franczek Radelet P. C., at (312) 786-6190 and dpr@franczek.com.

Congratulations!

Gerald Subaru North Aurora, **Gary Lang Subaru** (McHenry), and **Muller Subaru** (Highland Park) are recipients of the 2015 Stellar Care Award, Subaru's highest honor for its retailers.

Winners of Nissan's 2015 "Award of Excellence" include **Continental Nissan** (Country-side), **Glendale Nissan** (Glendale Heights) and **Al Piemonte Nissan** (Melrose Park).

CPA firm develops Illinois sales tax checklist for dealerships

Vehicle dealerships face a broad range of compliance-related concerns associated with sales tax, particularly in the areas of vehicle sales and service department transactions. As many recent Illinois sales tax audits have shown, the potential sales tax liability for errors caused by incorrect or insufficient dealer practice and procedures can be astronomical.

Proper sales and use tax compliance requires periodic checks to make sure that the dealership staff is compliant with current requirements and proper application of taxability and exemptions. Michael Silver & Co., a Skokie-based CPA firm and a CATA allied member, has created a comprehensive Vehicle Dealer's Sales Tax Checklist that identifies and outlines the broad variety of areas that should be addressed.

Many of the issues in the checklist have been subject to audit assessment and areas of focus by Illinois Revenue Department auditors. The checklist has been built from those audit experiences. The following are examples from the seven-page checklist:

New Method (use for qualified leases and qualified vehicles on or after Jan. 1, 2015)

- Selling price includes the down payment, all acquisition and lease fees, and the total amount of lease payments payable over the term of the lease. Additionally, the selling price must include pre-paid warranty policies, negative equity from previous leases, and even the lessee reimburse-

ment of lessor sales tax included in the monthly lease payment or at lease inception.

- Select A on Line 7 of Form ST-556-LSE.
- Applies to leases with both (1) Fixed term lease contract for a period of more than one year; and (2) Qualified vehicles as defined as first division motor and second division vehicles with a gross vehicle weight rating of 8,000 pounds or less, which includes most automobiles, pick-up trucks, and SUVs along with certain vans, motorcycles, and recreational vehicles.
- No Trade-in credits allowed — including advance trade credits and third-party trade-ins.
- When vehicle is resold, no credit for sales taxes previously paid.

Repair Orders

For a Sublet repair (use of outside provider to perform the repair:

- Same as in-house repairs — parts are taxable, labor is not. If there is no breakdown on the vendor invoice, assume the parts are 50 percent of the cost.
- Provide the vendor with a resale certificate.
- Not optional to just pay tax to the sublet service provider.

To obtain a copy of the complete checklist, contact Judy Mason, a tax partner at Michael Silver & Co., at (847) 213-2075 or judym@msco.net.

Car buyers stay loyal to brands

About 53 percent of U.S. car buyers replaced their old car with a new car of the same brand throughout the first quarter of 2015, according to a study by IHS Automotive. Researchers say the increase in loyalty boils down to two main

reasons: more models and an increase in leasing.

Vehicle leasing has grown from 14 percent of the market in 2005 to 22.5 percent this year.

Franchised New-Car Dealers in the 8-county CATA area as of 1 January 2015

| Car Line | Chicago only Ill. | Rest of Cook Cty. Ill. | Lake Cnty. Ill. | DuPage Cnty. Ill. | McHenry Cnty. Ill. | Kane Cnty. Ill. | Will Cnty. Ill. | Lake Cnty. Ind. | Porter Cnty. Ind. | Total [prior] 1/1/2015 | Total [present] 7/1/2015 |
|----------------|-------------------------|------------------------------|-----------------------|-------------------------|--------------------------|-----------------------|-----------------------|-----------------------|-------------------------|------------------------------|--------------------------------|
| Acura | 1 | 4 | 2 | 3 | 0 | 0 | 0 | 1 | 0 | 11 | 11 |
| Alfa Romeo | 1 | 3 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 3 | 5 |
| Aston Martin | 0 | 0 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 2 | 2 |
| Audi | 1 | 3 | 1 | 2 | 0 | 0 | 0 | 1 | 0 | 8 | 8 |
| Bentley | 1 | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 3 | 3 |
| BMW | 1 | 4 | 1 | 3 | 1 | 0 | 0 | 1 | 0 | 11 | 11 |
| Bugatti | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 |
| Buick | 2 | 9 | 1 | 4 | 4 | 1 | 3 | 2 | 3 | 29 | 29 |
| Cadillac | 1 | 8 | 2 | 2 | 1 | 0 | 1 | 1 | 0 | 16 | 16 |
| Chevrolet | 4 | 15 | 5 | 6 | 4 | 4 | 6 | 4 | 2 | 50 | 50 |
| Chrysler | 3 | 11 | 4 | 4 | 3 | 3 | 2 | 3 | 2 | 35 | 35 |
| Dodge | 4 | 11 | 4 | 4 | 3 | 3 | 2 | 3 | 2 | 36 | 36 |
| Ferrari | 0 | 0 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 2 | 2 |
| Fiat | 1 | 3 | 1 | 1 | 0 | 0 | 0 | 1 | 0 | 6 | 7 |
| Ford | 3 | 13 | 6 | 7 | 3 | 4 | 5 | 4 | 2 | 47 | 47 |
| GMC | 1 | 9 | 1 | 4 | 3 | 1 | 2 | 2 | 2 | 25 | 25 |
| Honda | 4 | 10 | 3 | 2 | 1 | 2 | 1 | 2 | 0 | 25 | 25 |
| Hyundai | 2 | 10 | 4 | 3 | 1 | 1 | 1 | 2 | 0 | 24 | 24 |
| Infiniti | 1 | 4 | 1 | 2 | 0 | 0 | 0 | 1 | 0 | 9 | 9 |
| Jaguar | 1 | 3 | 1 | 2 | 0 | 0 | 0 | 1 | 0 | 8 | 8 |
| Jeep | 3 | 11 | 4 | 4 | 2 | 3 | 2 | 3 | 2 | 34 | 34 |
| Kia | 1 | 8 | 3 | 3 | 1 | 1 | 1 | 2 | 1 | 21 | 21 |
| Lamborghini | 1 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 1 | 2 |
| Land Rover | 1 | 3 | 1 | 2 | 0 | 0 | 0 | 0 | 0 | 7 | 7 |
| Lexus | 1 | 4 | 1 | 2 | 0 | 0 | 0 | 1 | 0 | 9 | 9 |
| Lincoln | 1 | 6 | 3 | 2 | 1 | 0 | 0 | 1 | 0 | 14 | 14 |
| Lotus | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 |
| Maserati | 1 | 1 | 1 | 2 | 0 | 0 | 0 | 0 | 0 | 5 | 5 |
| Mazda | 0 | 7 | 3 | 3 | 1 | 0 | 1 | 1 | 1 | 17 | 17 |
| McLaren | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 |
| Mercedes-Benz | 1 | 5 | 1 | 2 | 0 | 1 | 0 | 1 | 0 | 11 | 11 |
| Mini | 1 | 2 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 5 | 5 |
| Mitsubishi | 0 | 4 | 1 | 2 | 1 | 0 | 1 | 1 | 1 | 12 | 11 |
| Nissan | 2 | 12 | 3 | 4 | 1 | 1 | 1 | 2 | 1 | 27 | 27 |
| Porsche | 0 | 3 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 5 | 5 |
| Ram | 4 | 11 | 4 | 4 | 3 | 3 | 2 | 3 | 2 | 36 | 36 |
| Rolls-Royce | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 2 |
| Scion | 4 | 10 | 3 | 4 | 1 | 1 | 1 | 2 | 1 | 28 | 27 |
| smart | 0 | 2 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 3 | 3 |
| Sprinter | 1 | 3 | 1 | 1 | 0 | 1 | 0 | 0 | 0 | 6 | 7 |
| Subaru | 1 | 5 | 2 | 2 | 1 | 2 | 1 | 1 | 1 | 15 | 16 |
| Toyota | 4 | 11 | 3 | 4 | 1 | 1 | 1 | 2 | 1 | 28 | 28 |
| Volkswagen | 2 | 7 | 3 | 4 | 1 | 0 | 1 | 2 | 0 | 20 | 20 |
| Volvo | 1 | 4 | 1 | 1 | 0 | 0 | 0 | 1 | 0 | 8 | 8 |
| # of Car lines | 65 | 241 | 81 | 102 | 38 | 34 | 35 | 52 | 24 | 668 | 672 |
| # of Outlets | 34 | 159 | 49 | 64 | 20 | 21 | 20 | 35 | 16 | 415 | 418 |

NOTE: The difference between car line and outlet figures is the result of outlets that handle more than one car line.