April 1 tax increases
The NeverEnding story, Part 2

Uncertainty continued about the area’s April 1 tax hike for the Regional Transit Authority. The increase adds an additional quarter-cent per dollar RTA tax in Cook County and twice that in the five collar counties.

That takes the RTA tax to 1 percent in Cook County and to 0.75 percent in DuPage, Kane, Lake, McHenry and Will counties.

As reported in the March 24 edition of this newsletter, the latest tax rates on vehicles and general merchandise are 9.25 percent in Chicago; 8.00 percent in suburban Cook County; 7.25 percent in DuPage County; and 7.00 percent in Kane, Lake, McHenry and Will counties. Important, those rates do not reflect the nuance of any community home-rule use taxes, which might create higher tax rates.

Many callers to the CATA questioned what tax rate to charge a person who resides in a different county than the dealership. All Illinois customers must pay the rate preprinted on the dealer’s Form ST-556. The only time a customer may pay less than that preprinted rate is if the customer’s address is outside Illinois. Then, the customer would pay the rate set forth where he lives. (See adjoining story on Indiana’s new rate.)

But there are several exceptions when a customer would pay more than the dealership’s preprinted vehicle tax rate, including for Chicagoans (+1.25 percent), for Cook County residents (+0.75 percent), and for people subject to the DuPage Water Commission Tax (+0.25 percent).

From the instructions to complete Form ST-556:
1. Note for businesses in Cook, DuPage, Kane, Lake, McHenry, or Will County when the customer’s address is in Chicago: If your customer’s address on Form ST-556, Section 1, is in Chicago, your customer owes an additional 1.25 percent home rule use (sales) tax, known as the Illinois Motor Vehicle Advertising Regulations states that “all purchasers shall be able to purchase all vehicles described by the advertisement at the advertised price.”

In addition, Rule 475.530(e) states that “It is an unfair or deceptive act to advertise a price or amount

Indiana taxes up too

The sales tax rate to charge Indiana residents who buy a vehicle in Illinois grew April 1 from 6.00 percent to 6.25 percent.

Since 2005, residents of eight “non-reciprocal” states may not claim the out-of-state buyer exemption in Illinois (Section 5, Box A of Form ST-556) on purchases of motor vehicles or trailers that will be titled in those states, which likewise do not extend a tax exemption to Illinoisans who buy there.

Residents of forty-two states are exempt from Illinois tax on vehicles purchases in Illinois. The eight non-reciprocal states, and their tax rates, are:

- Arizona 5.60%
- California 6.25%
- Florida 6.00%
- Hawaii 4.00%
- Indiana 6.25%
- Massachusetts 5.00%
- Michigan 6.00%
- South Carolina 5.00%, up to $300 maximum

BBB sees pricing faults in dealer ads

Agents from the Better Business Bureau who monitor Chicago area dealer advertising report two recurring infractions about advertised prices.

The first involves advertising a price or payment amount and then claiming “all rebates applied”, “includes all rebates” or similar language. Rule 475.310 of

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of an installment payment in which limited rebates have been deducted or to advertise a total amount of rebate if a portion of the total consists of a limited rebate.”

These rules make it clear that only a rebate available from the manufacturer to any consumer purchasing a vehicle can be deducted from a price or payment in an advertisement. Of course, the availability of limited rebates can be advertised “if the terms of the limitation are clearly and conspicuously disclosed,” according to Rule 475.530 (c).

In short, limited rebates can only be advertised separate from price or payment amounts and cannot be bundled together into large discounts because not everyone may qualify for the bundled amount.

The BBB sent many letters to dealers recently asking what is included in the “all rebates applied” claim and determined that some of the advertised prices included limited rebates, in breach of the regulations.

A second issue involves language in an ad that states “prices are subject to change without notice.” Rule 475.310 also covers this issue. All consumers must be able to purchase the advertised vehicles at the advertised prices. But if prices are advertised and then change without notice, all consumers cannot purchase the advertised vehicles at the advertised prices.

In the case where a sale or price reduction event is held, Rule 475.370 applies an additional legal standard, requiring that the duration of a sale event be stated in the ad promoting the sale.

“If prices can change without notice, then there is no duration to the sale event. Even if one is expressed in the ad, the prices are not truly fixed for the length of the sale,” said BBB-Chicago President Steve Bernas.

Bernas said dealers should continue to state the duration of the sale event in the advertisement but refrain from including any statement indicating that prices are subject to change without notice during that sale event in a general disclosure section at the bottom of the advertisement.

He acknowledged that there are some manufacturer price incentives for consumers that may be withdrawn by the manufacturer without prior knowledge of the dealer and during the duration of the sale event.

Therefore, Bernas said the BBB recommends that any disclosure necessary to explain that fact be placed in close proximity to the manufacturer program described in the advertisement.

For more information on the BBB/CATA ad review program, see www.chicago.bbb.org/cata or send an e-mail to cata@chicago.bbb.org

Taxes

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“Chicago Home Rule Use Tax.” To help you calculate the tax due on one of these sales, we preprint a combined rate on your ST-556 below Line 4. This combined rate includes your tax rate plus the additional 1.25 percent (.0125) home rule use (sales) tax. To figure the correct tax due, multiply the amount subject to tax on Line 3 by the combined rate. Write the result on Line 4.

2. Read these instructions regarding Line 5 if your buyer’s address is in Cook, DuPage, Kane, Lake, McHenry, Will, Madison, or St. Clair County. Your buyer may owe tax at a higher rate than the rate at which you are required to collect tax. This applies to a buyer that is located in a portion of one of the above counties in which tax has been imposed by the Regional Transportation Authority, Metro-East Transit District, or DuPage Water Commission District. In these cases, you may do your buyer the courtesy of collecting the additional tax (called “use” tax) so that he or she will not be billed for it later. Once you have determined whether your buyer is subject to a higher rate than your rate, you should multiply the amount on Line 3 by any difference in rates (expressed as a decimal), and write the result on Line 5.

Finally, write the name of the buyer’s county; city or village, if any; and township if in Madison or St. Clair County.

Revenue Dept.’s SOA mailing again

Dissemination of the Illinois Revenue Department’s Form SOA-1, Statement of Account, resumed in late March, for non ST-1 accounts following a months-long pause while the department retooled its tax computer system. The form summarizes for retailers all sales tax, prepaid sales tax and county motor fuel tax account activity since the previous statement. The new report, hereafter dispensed monthly, details all activity since August 2007. Dealers who believe there are errors on their Form SOA-1, or who do not understand the form, can call the revenue department’s Susie Lonzerotti at 217-558-7414.
Pressure mounts on Congress for permanent solution to estate tax

By Ray Scarpelli Sr.
Metro Chicago NADA Director

With the year 2010 and the sunset of the federal estate tax approaching, senators recently raised the issue again in a hearing before the Senate Finance Committee, and on the floor in the form of amendments during the fiscal year 2009 budget debate.

During the hearing on alternatives to the estate tax, experts testified about the merits of an inheritance tax, where taxes are levied on inheritance recipients, as opposed to the current system that taxes the estate. The panelists had differing opinions on methods for replacing the estate tax, but this mattered little, as none of the proposals was endorsed by Finance Committee Chairman Max Baucus (D-Mont.).

On the Senate floor, several estate tax amendments were offered during budget debate. A non-binding Baucus amendment to make permanent many of the 2001 Bush tax cuts—including an estate tax freeze at the 2009 tax rate, with a top rate of 45 percent and a $3.5 million exemption—passed 99-1. Senate actions show there is bipartisan support for a compromise, and an upcoming Finance Committee hearing on the estate tax, tentatively scheduled for early April, shows an eagerness to find a permanent solution to the issue.

The NADA’s Legislative Office continues to work closely with Congress toward a permanent solution before the estate tax reverses back to an unacceptable 55 percent rate. It is imperative that dealers continue to express to lawmakers the effects of the tax on their dealerships and the need for permanent reform.

In Regulatory News . . .

The 2008 insurance cost information booklet, which all dealers must make available to prospective buyers, now is available. The National Highway Traffic and Safety Administration produces an annual version of the booklet, which includes comparative information regarding differences in vehicle collision loss experience that could affect auto insurance costs.

Pursuant to 49 CFR 582.4, all auto dealers must make the booklet available to customers. According to the Federal Register, the NHTSA mailed a copy of the 2008 booklet to every dealer who also receives the U.S. Energy Department’s “Gas Mileage Guide.” Dealers who have not received a copy should contact the NHTSA’s Office of International Policy, Fuel Economy, and Consumer Programs at 202-366-0846. Dealers also can a copy of the booklet through the NHTSA Web site, www.nhtsa.gov. The NADA suggests that dealers keep a copy of the guide available and reproduce it for customers upon request.

The IRS recently issued guidance relating to the new fuel-cell motor vehicle tax credit, which is available for qualified vehicles purchased after Dec. 31, 2005, and on or before Dec. 31, 2014. The base credit ranges from $4,000 to $40,000, depending on the weight of the vehicle and when it is placed in service. The notice provides procedures for vehicle manufacturers to certify that a fuel-cell vehicle meets the requirements for a tax credit, and guidance to taxpayers regarding the conditions under which they may rely on the automaker’s certification that a vehicle is qualified for the credit. It also outlines what taxpayers must do to use the credit. The guidance will be published in IRB 2008-12 dated March 24, 2008.

Mexico has tightened its used-vehicle import restrictions, amending its pre-existing policy of allowing only vehicles between 10 and 15 years old, to effectively prohibit the importation of vehicles older than 10 years. Bottom line: Only MY 1998 (10-year-old) vehicles may be imported into Mexico from the U.S. or Canada. Moreover, those vehicles are subject to the Mexican Standard NOM 041 maximum permissible emissions law and to a 15 percent value-added tax. Note that beginning Jan. 1, 2009, Mexico will no longer restrict used-vehicle imports more than 10 years old. Every two years thereafter, the minimum used-vehicle age drops by two years until, by Jan. 1, 2019, restrictions on used-vehicle imports are phased out completely. For more information, see www.nada.org/Advocacy+Outreach/RegulatoryAffairs.

The Economic Stimulus Act of 2008 increases by 50 percent the allowable first-year depreciation for certain vehicles, and increases the cap on the first-year depreciation by $8,000. On March 4, the IRS issued guidance on these changes, including a set of tables outlining the new depreciation deduction limitations and income inclusion requirements (relative to leased vehicles) for passenger vehicles, trucks and vans placed into service or leased in 2008.

The IRS has issued a revenue procedure (2008-23) that permits taxpayers who use the Last-In, First-Out (LIFO) accounting method to place: (i) new cars and light-duty trucks in a single LIFO pool, and (ii) used cars and light-duty trucks in a single LIFO pool. The revenue procedure defines a “light duty truck” as any truck with a gross vehicle weight rating (GVWR) of 14,000 lbs. or less. This new alternative accounting method, known as the “Vehicle-Pool Method,” removes the challenge of having to determine the proper pool in which to place crossover vehicles.
Hammond AYES team scores high at national student tech competition

Student technicians from the Hammond (Ind.) Area Career Center placed seventh among 36 teams competing at the National Automotive Technology Competition, held last month’s New York Auto Show.

The National Automotive Technology Competition is a test of skill, a measure of knowledge, and a race against the clock—all rolled into one. It features hundreds of the nation’s best high school automotive education students from across the country competing for the title of The Nation’s Best Automotive Technician.

Each two-person student team must diagnose and repair a number of pre-assigned problems under a car’s hood within an allotted amount of time. Each “bug” correctly repaired is worth a number of points, depending on the level of difficulty. In addition, the student’s overall knowledge is tested through a series of written tests prepared by the ASE.

To prepare for the competition, students train with their high school instructors as well as with certified technicians at local franchised automobile dealerships.

The Illinois team—Charles Bragg and Sergio Morales—trained on a 2008 Hyundai Tucson at Team Hyundai in Highland, Ind., at the Hyundai Central Region Training Center in Aurora. The pair won tens of thousands of dollars in scholarships at various automotive colleges and trade schools.

More than $3 million in prizes and scholarships was awarded to participating students and schools thanks to the generous support of almost every major automaker, industry suppliers, local dealerships, and dealers associations. Each member of the winning team won a Pontiac Solstice, which will be awarded when the students complete a manufacturer’s training program or equivalent and obtain a two-year Associate in Applied Sciences degree.

The nationally recognized competition was developed in 1990 by the Greater New York Automobile Dealers Association to help curb the shortage of qualified automotive technicians and raise the level of vocational education standards in the public school system.

Leading up to the national finals, regional and state contests are held across the country to determine the nation’s best automotive students. The winning student teams then advance to represent their state at the national finals in New York City.

AYES updates

By Jim Butcher
Illinois AYES Manager

Current AYES activities include job shadowing by our qualified high school students. A big “thank you” goes out to all dealers who help provide our students with a first-hand look at the automotive service industry.

This valuable experience fires up the students in ways unimaginable and further prepares them to work in a dealership as they gain more experience. To date, we have about 40 students available for job shadowing activities in area dealerships.

For more information on the AYES program, please call me at 630-424-6020.

Chicago Auto Show

The AYES program staffed two booths at this year’s Chicago Auto Show. About 275 high school and college students continuously staffed the The AYES Chevy Tuner Booth and the AYES informational booth through the show.

These booths provide a great opportunity to let the community know about the AYES program and the support extended by local dealers. They also give the student participants a sense of involvement and help prepare them to deal with customers and peers alike.

For many of these young people it is their first opportunity to be part of something on the scale of the Chicago Auto Show.

Again, I would like to thank all the dealers that support and sponsor the AYES program in Illinois and northwest Indiana.