



CATA Bulletin



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State Farm reaches deal on salvage vehicles in Illinois, 7 other states

About 680 vehicles in Illinois which previously were deemed “total losses” by State Farm Insurance were not branded as such, leading to a \$40 million settlement between the insurer and attorneys general from eight states, including Illinois.

The affected vehicle owners in Illinois were sent letters dated Oct. 18 from the vehicle services department of the Illinois secretary of state, telling them how they might obtain rebuilt titles and whether they may be compensated for State Farm’s error.

In the settlement, individual payments to current owners range from \$400 to \$20,000, based on the average retail value of the vehicle. And, depending on how many of the estimated 32,000 victims elect to settle, individual shares could increase.

Persons who accept a settlement from State Farm would relinquish their right to sue whoever sold them an affected vehicle. Assistant Illinois attorney general Deborah Hagan down-

played any impact on dealers.

If a dealer had no knowledge that any vehicles really were salvage vehicles, “then that’s what they should assert,” she said, adding she expected most victims will pursue the State Farm settlement rather than confront dealers.

Hagan and other assistant Illinois attorneys general discussed the matter in an Oct. 13 conference call with representatives of the Chicago Automobile Trade Association and the Illinois Automobile Dealers Association.

“We couldn’t have changed the negotiations, even if we had informed the dealer associations” earlier, said Hagan.

Gil Fergus, another assistant Illinois attorney general, said that, based on when State Farm’s error occurred, a three-year statute of limitations would prevent most consumers from suing over the vehicle transactions.

According to State Farm’s records, some time after June 1, 1997, but before the current owners bought the affected vehicles, the insurer branded

32,000 vehicles as a total loss, as part of insurance claim settlements, but did not confirm that the vehicles subsequently were issued “salvage” or “branded” titles.

Ernie Dannenberger, director of the Illinois secretary of state’s vehicle services department, notified affected owners in Illinois, in an Oct. 18 letter, that their current vehicle titles have been revoked.

The owners of vehicles 9 years old or older must send their titles to Dannenberger’s office, which will issue “rebuilt” titles. For vehicles 8 years old or newer, inspections are required by the secretary of state’s office, to check for stolen parts; and by the Illinois Department of Transportation, for a safety inspection.

There are four salvage vehicle inspection stations in Illinois, including one in Villa Park at 630-693-0551.

The Texas attorney general said he believes 25 percent of all consumers impacted by the issue are Texans.

Chicago Auto Show gains international certification for 2007 edition

The Chicago Auto Show now shares with three other U.S. auto shows a trait that, until October, was reserved for one auto show per country: accreditation by the International Organization of Motor Vehicle Manufacturers.

Referred to as OICA, the *Organisation Internationale des Constructeurs d’Automobiles* was founded in Paris in 1919. The organization’s membership comprises 41 national trade associations around the world, including all major automobile manufacturing countries, thereby covering virtually the

entire motor vehicle industry all over the world.

Accreditation by OICA means an auto show is widely recognized and supported by OICA-member associations, and reflects the show’s impact on the market. It also attracts a significant number of international media.

Since 1992, the Detroit Auto Show has been this country’s OICA-accredited auto show. The recent announcement adds the shows in Chicago, New York and Los Angeles. The lat-

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Presentation by Revenue Department, Secretary of State draws 170

Dealership personnel greeted an Illinois Revenue Department official with a series of complaints of unresolved errors, at a CATA seminar Oct. 18. A representative of the Illinois Secretary of State's office also attended the seminar, "License, Title & Tax review."

Susie Lonzerotti, a supervisor of the Revenue Department's vehicle tax processing division, acknowledged the problems and pointed to a mounting workload imposed on a shrinking staff.

Scott Mickie, a dealership service representative of the secretary of state's vehicle services department, also fielded questions and complaints.

Lonzerotti said revenue tax specialists in her division once numbered 57, but the staff has been whittled to 26. About 58,000 Form ST-556s await processing by the division.

"We're backlogged," she conceded.

Lonzerotti focused discussion on a revenue department change effective Feb. 1, 2005, that calls for Illinois dealers to collect sales tax from residents of nine states with which the state does not have a reciprocal exemption. Notably, Indiana and Michigan are among the nine states.

If the nonresident accepts delivery in Illinois, then Illinois dealers must collect sales tax at the nonresident's state sales tax rate, and submit it to Springfield. If the dealer delivers the vehicle to the nonresident's state, then no tax is due. In Section 5 of Form ST-556, the dealer would mark Box G, Other, and write "Dealer delivered."

Lease transactions remain exempt for out-of-staters.

OICA

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ter three shows will rotate OICA accreditation annually.

"We view this as a tremendous opportunity to highlight our products and our industry to the international automotive press corps," said Fed Webber, president and chief executive of the U.S. Alliance of Automobile Manufacturers. "These are all unique, top-tier shows, and I am very pleased that our colleagues at the OICA recognized the diversity of our industry and agreed to this arrangement."

Jerry Cizek, general manager of the Chicago Auto Show, said: "We're gratified that the nation's largest auto show has been rewarded with an OICA certification. Our latest expansion, combined with Chicago's status as a world class city, makes it a worthy addition to the OICA calendar of international auto shows."

The new OICA arrangement rotates OICA certification thusly: Detroit remains a standing OICA show, plus Los Angeles in 2006, Chicago in 2007, and New York in 2008. The cycle repeats with Los Angeles in 2009.

Responding to a question, Lonzerotti said that if a sale to an Indianan falls through after a Form ST-556 is filed, credit can be obtained by filing a Form ST-556-X.

If the revenue department incorrectly assesses sales tax based on, say, Chicago's rate, but the customer does not reside in Chicago, the dealership should complete the assessment worksheet and return it with a copy of the bill of sale, which indicates the customer's address.

Lonzerotti explained Section 6, Line 10, regarding credit for any tax previously paid:

"Leasing Company A purchases a vehicle from Dealer 1 and pays the tax to Dealer 1. Dealer 1 completes and files an ST-556 for the vehicle, and remits any tax to the revenue department. Leasing Company A then sells—usually, at the end of the lease—the same vehicle to a customer.

"Leasing Company A must file an ST-556 with the Department and can take credit on Line 10 for the tax they paid to Dealer 1 when Leasing Company A originally purchased the vehicle.

"No credit can be taken on Line 10 if Leasing Company A sells the vehicle back to a dealer in order for the dealer to get credit for the sale. An example: if Ford Motor Credit sells a leased car to ABC Ford Dealer, then ABC Ford Dealer sells the car to a customer. No credit can be taken on Line 10 for that transaction."

Also, leases originate in the state where the transaction occurs, not where the lessee or leasing company resides.

The American Red Cross has extended offers to recent hurricane victims which gives the victims tax-free status when buying merchandise. That offer, however, does not apply to vehicles purchased in Illinois.

Lonzerotti offered two telephone numbers in her division for dealers to call to resolve problems. If the matter is related to a return, call 217-785-6606. If the matter concerns an assessment, call 217-785-5353. Or, look to the revenue department's Web site, www.tax.illinois.gov/

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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/>

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Emergency relief fund Tops \$3 million; donations now accepted online

By Ray Scarpelli Sr.

METRO CHICAGO NADA DIRECTOR

In the wake of three devastating hurricanes, the NADA has been very busy helping dealers and their employees. So far, donations to the Emergency Relief Fund of the National Automobile Dealers Charitable Foundation (NADCF) have surpassed \$3.15 million. Donations now can be made online at www.nada.org/donationform/. Contributions also can be mailed to NADCF Emergency Relief Fund, 8400 Westpark Drive, McLean, VA 22102; please make checks payable to NADCF Emergency Relief Fund. Donations by fax also are accepted: Download a printable donation relief form at www.nada.org/emergencyrelief, and fax the completed form to 703/821-7030. For more information, call 703-821-7102 or e-mail abergner@nada.org

See dramatic coverage of Hurricane Katrina's impact on Gulf Coast dealerships on NADA-TV Online (www.nada.org/nada-tv). The video segments include interviews with NADA Chairman Jack Kain and NADA President Phil Brady as they visited storm-damaged dealerships in Louisiana and Mississippi. During their visit, Kain and Brady presented funds from the Foundation to dealers and ATAEs, for distribution to dealership employees.

The NADA also is working to protect dealers and consumers from purchasing flood-damaged vehicles—many of which could hit the market over the next few months, if they haven't already. In a recent speech to Detroit's Automotive Press Association, Kain said vehicle history and title information should be readily available so that dealers and their customers know what they are buying.

"We will all benefit when complete title information gets to dealers and consumers more quickly. The integrity of the entire system is at stake," Kain said. "All we need is a list of VINs for totaled vehicles, and the insurance companies should provide this."

Kain proposed the following steps:

- Insurance companies should make VIN-based information on totaled vehicles accessible to the public.
- Automakers should disclose the VINs of the cars and trucks totaled by Hurricanes Katrina and Rita, as well as future storms or other causes.
- State motor-vehicle departments should work with private data vendors to create an electronic vehicle title data system that is uniform and easily accessible.

Kain's call for a national electronic database could help prevent consumers from purchasing potentially dangerous vehicles. "We could eliminate a great deal of title fraud right now if consumers could run a Web search of title information from all 51 jurisdictions," he said.

Kain also urged Congress to take action by using incen-

tives to make state vehicle title laws more uniform. He said states should be encouraged to carry forward brands. "No one should be able to wipe a title clean simply by obtaining a title from another state," he said. "The front of each title should carry all the brands of the states where that vehicle has been titled."

Resources dealers and consumers can use right now:

- Experian Automotive, in cooperation with the NADA, has instituted a toll-free number and e-mail address for NADA members to obtain free branded title and other information to check vehicles for hurricane damage. Dealers concerned that a vehicle might be storm-damaged can access these free services at 800-509-5489 or stormsupport@experian.com

The national offer, which will run through the end of 2005, provides branded title and dealer-reported damage information on up to 25 vehicles per dealership. The title information will indicate whether the title reflects any storm damage, as the information becomes available, and whether the vehicle was titled within the last 12 months in Louisiana, Mississippi, Alabama or Texas.

Dealers are encouraged to contact Experian to register their own storm- or flood-damaged vehicles. The dealer-reported information will be included in the storm check and provided along with the title records.

- Also, the National Insurance Crime Bureau launched a free online database for the public, listing vehicles damaged by Hurricanes Katrina and Rita. Some 70,000 vehicles' VIN numbers are listed in the database, with more added daily. See the database at www.nicb.org/

In legislative and regulatory news:

- Beware of credit card fraud! Several dealers in recent months have reported being the victim of credit card fraud directed at their parts departments. This should remind dealers to carefully scrutinize telephonic and other credit card orders from unfamiliar individuals. For more information, see the NADA's Credit Card Fraud Alert at www.nada.org/regulations (requires NADA member number).

In other NADA news:

Automotive Career Week was Oct. 24-29, and more than 700 dealers hosted career events at their dealerships for students. Also, governors in 15 states issued proclamations to recognize the importance of the week. Dealers are encouraged to host career days whenever possible throughout the year. A kit for dealers with guidance on planning events is available; go to www.nada.org/careers, or call 800-252-6232, Ext. 2.

If you have photos of your career-week event, please send them, along with your contact info, to acw@nada.org

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CATA dealers help Rawhide Boys Ranch as donated car collection points

Since its founding in 1965, Rawhide Boys Ranch has been changing the lives of troubled young men from communities in Wisconsin and Illinois.

And since 1992, dealers of the Chicago Automobile Trade Association have been helping Rawhide achieve its mission of redirecting troubled boys, to put their lives on a productive path.

Their help comes by serving as collection points for vehicles that owners wish to donate to the New London, Wis.-based Rawhide.

There currently are 15 area dealers who participate as Donor Service Centers. A DSC is a dealership where vehicle donors can drop off their used car for a brief time, until Rawhide can pick it up. A DSC also assists the donor with paperwork to transfer the title and acknowledge the donation.

Rawhide Boys Ranch, which was co-founded by Football Hall of Famer Bart

Starr, is seeking to create a network of up to 45 Donor Service Centers in the Chicago area, to provide convenient sites for donors to drop off and donate their vehicles.

Rawhide provides full support to the dealerships that participate, including all of the paperwork and training for dealership staff. In addition, there is a toll-free number for dealerships to call if they have any questions or concerns.

The benefits of becoming a Donor Service Center are:

1. Rawhide Boys Ranch has a strong reputation and a proven track record of more than 40 years of changing the lives of troubled youth. Starr maintains strong ties with the organization.

2. Rawhide has an existing relationship with CATA dealers.

3. Rawhide provides full support to help dealership employees, and will pick up vehicles in a timely manner.

4. Becoming a DSC will



Bart Starr, left, and wife Cherry Starr pose with Rawhide boys and the 1968 Corvette he received as Super Bowl II MVP. Starr donated the car to Rawhide to help pay for the ranch property in New London, Wis.

- help bring traffic to a dealership, providing a benevolent opportunity to build a relationship with donors for current or future vehicle purchases.

5. Accepting donated vehicles can help to close sales, by providing a viable alternative for new- or used-car customers with an older vehicle.

6. It takes only 15 minutes to help prepare vehicle donation paperwork.

7. Serving as a DSC gives donors in the community a way to support Rawhide Boys Ranch.

Donors soon can connect to the Rawhide Web site, www.rawhide.org, via sponsor links on the DriveChicago portal.

To learn how to become a Donor Service Center, to help Rawhide and community, call Rawhide's Donor Service Center Express line, 800-762-0066.

Scarpelli

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NADA Coalition Launches F&I Web Site for Consumers

The NADA has teamed with the American Financial Services Association and most of the major captive financing companies to launch an industry coalition known as AWARE (Americans Well-informed on Automobile Retailing Economics).

AWARE's new Web site, www.autofinancing101.org, is designed to teach consumers about dealership finance and insurance practices. The site advises consumers to know their credit scores before they shop for a vehicle, urges them to set a realistic price range that fits their budget before they visit a dealership, and encourages them to compare

loan interest rates and financing terms from several sources. The site is available in English and Spanish.

Child Safety-Seat Events

If you held a child safety-seat inspection in September, during the NADA's Child Passenger Safety Month, the association would like to know how it went.

Did it draw a good turnout? Was it well received in your community? Did it generate any media coverage? Were the NADA consumer materials helpful? Any other thoughts you'd like to share would also be welcomed.

Your feedback will help the NADA meet your needs as it plans future safety campaigns. Please send your comments, along with your name and dealership contact information and any pictures of your event, to rwhite@nada.org

The NADA will host a breakfast for all **minority dealers** on Feb. 13, during the NADA convention in Orlando.