



Upcoming DealersEdge webinars

The Chicago Automobile Trade Association has established a partnership with DealersEdge to provide high-quality training and informational webinars that offer the content to CATA member dealers at a significantly discounted rate.

The rate for CATA members for the weekly presentations is \$149, half what is charged to users who do not subscribe to DealersEdge. 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 webinar 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, Dec. 5 at 12 p.m. CST

“LinkedIn for Auto Dealerships: How to Build, Maintain and Safely Market to Your Contact Network” LinkedIn can provide access to a network of contacts with high-value demographics: mostly employed professionals ages 25 to 55. But as with all social media,

SEE WEBINARS, PAGE 2

DriveChicago leads surpass 2012

The number of leads delivered to CATA-member dealers by DriveChicago.com this year passed the 2012 total in early November and recently exceeded 2,500.

DriveChicago General Manager Mark Bilek credits the leads increase to an improved lead-generation form now in use and an improvement in the quality of the inventory feeds being sent to DriveChicago.

“Dealers who provide us with feeds that have a lot of

pictures and pricing generate more leads than feeds that don’t,” Bilek said, adding that DriveChicago leads have higher closing rates than competitors such as AutoTrader because the inquirers mostly are local.

A DriveChicago site design that rolled out in July also dynamically adjusts to a device’s screen resolution, giving visitors a similar Web experience across all devices — computer, tablet and smartphone.

NBC 5, Telemundo win Emmys for 2013 Chicago Auto Show telecasts

NBC 5 Chicago and Telemundo Chicago both won a Chicago Emmy Award for their 60-minute broadcasts of the 2013 Chicago Auto Show. Emmy winners were announced Nov. 3.

The stations’ specials were produced under a unique, joint local effort that resulted in broadcasts for the English-speaking and Spanish-speaking markets. Both nominations came in the category, “Outstanding Achievement for Special Event Coverage.”

Telemundo’s show was edited; the NBC 5 show was live.

Kurt Schiele, chairman of the 2014 Chicago Auto Show, said the wins confirm the commitment of the city’s media to promote the nation’s premier auto show.

“We do our part to present an auto show worthy of the coverage, and my hat is off to the stations for their work to broadcast the event in a manner worthy of an Emmy,” Schiele said.

Auto loan underwriting poised to loosen in 2014: Moody's

Underwriting standards on auto loans will slip in 2014 as increased competition pushes lenders to take more risk, according to Moody's Investors Service.

"Auto lenders will continue their return to higher levels of risk-taking, a trend that emerged in 2013 and will gain momentum in the coming year," Moody's analysts Jeffrey Hibbs, Mack Caldwell and William Black wrote in a Nov. 25 report. Heightened competition will result in "ever-more generous loan terms," they said.

Losses on vehicle debt for borrowers from the least creditworthy to prime customers have held below historic norms during the past several years as the U.S. economy improves, according to Moody's. Along with low interest rates, that's drawing new lenders, the New York-based analysts said.

Loan terms to buyers with good credit started to relax "marginally" about a year ago, they said. Subprime lenders have been loosening their standards back toward pre-crisis levels for several years, leading to an increase in delinquencies in recent months, the analysts said.

Losses on asset-backed bond deals linked to the debt are expected to be contained as an improving economy offsets relaxed underwriting, according to Moody's.

The credit grader is forecasting auto sales, which are on pace for the best year since 2007, to exceed 16 million in 2014 as U.S. households look to replace old cars. Underwriting likely will get worse when purchases level off.

"Once sales begin to peak and subsequently subside, lenders anxious to maintain share and sales targets will further accelerate the pace of weaker credit originations," the analysts said.

Leases are becoming more common as lenders seek to make cars more affordable, they said. Leasing, which had traditionally been more popular in the luxury market, is taking a growing share of non-luxury sales as prices rise, according to Moody's.

The percentage of vehicle sales resulting from leases surpassed 28 percent this year, up from less than 19 percent in 2007, the credit grader said.

2014 Illinois DOC fee

The maximum documentary service fee that can be charged by Illinois dealers in 2014 will be announced Dec. 17. 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.

The CATA will alert all members of the new fee as soon as it is announced.

Webinars

CONTINUED FROM PAGE 1

you need to be careful when marketing in this arena.

Facebook and other social media platforms have, up till now, received most of the attention. But a skillfully built and developed LinkedIn network of contacts can provide more high-value leads for the sale of new and used vehicles.

Learn the basics of LinkedIn and how to exploit this resource to help your selling staff fill the pipeline with future leads. Find out how to build and then leverage your LinkedIn network without breaking the rules.

Premiering Thursday, Dec. 12 at 12 p.m. CST

"How to Manage and Maximize Your Dealership Marketing Investments in Today's Multi-Channel Environment" It's the "wild west" of dealership marketing and high time it was brought under control. Learn how through this workshop. A Forrester Research Survey found the average auto dealer employs 21 marketing channels to sell cars and service! Some dealerships write as many as 50 checks each month to their various marketing vendors. So what is really working for you and what is totally wasted cash? Dennis Galbraith knows and will share it with you.

In Memoriam

Richard A. Roto, who operated a multi-franchise dealership in Arlington Heights and served six years on the CATA board of directors, died Nov. 21 at age 84.

Mr. Roto founded Roto Mercury Sales in 1954, added Lincoln vehicles in 1967, and later expanded with Mazda and Subaru. He sold the dealership in 2011. Mr. Roto was a CATA director from 1988 to 1994 and was board treasurer in 1992.

"He was a man who absolutely loved the automobile business," said his widow, Barbara. "He couldn't imagine himself doing anything else."

In addition to his wife, survivors include sons Robert and Richard; a daughter, Suzanne; eight grandchildren; and two great-grandchildren. Contributions appreciated to the American Lung Association.

The CATA Bulletin is produced 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

CPA firm suggests 2013 year-end accounting checklist for dealers

By **MICHAEL SILVER & Co.**

CERTIFIED PUBLIC ACCOUNTANTS, CATA MEMBER

As 2013 comes to a close, CTA allied member Michael Silver & Co. suggests the following areas to be considered:

Year-End Planning

1. Section 179 expensing limit will decrease from \$500,000 to \$25,000 beginning Jan. 1. Consider placing eligible assets into service before the end of 2013 to take advantage of the larger current year expensing limit.

2. If you plan to make any charitable contributions, consider making them in 2013 to receive a tax 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 of \$250 or more.

3. Confirm you have made all required personal and corporate income tax deposits for 2013, and see that your personal income tax withholding is adequate keeping in mind the new 0.9 percent Medicare tax on wages and the 3.8 percent tax on investment income. Consider paying all of your personal state income tax by the end of the year in order to take a federal income tax deduction for the state tax; however, consult with your tax advisor if you think you may be affected by the Alternative Minimum Tax.

4. Consider maximizing your retirement contributions, \$17,500 for a 401(k) plan and (\$23,000 if over age 50), and \$51,000 to profit sharing plans (net of any 401(k) contributions).

5. Consider adopting a change in accounting method for "trade discounts" to expense factory "interest and advertising credits." This change could reduce dealership taxable income and should be considered if you have a large enough new-vehicle inventory.

6. If you or the dealership owns stock that has unrealized losses, consider discussing with your tax or investment professional the benefit of selling them by year-end.

7. Confirm you have substantiation for your 2013 meal and entertainment expenses. Travel expenses and the cost of a holiday party for employees or food ordered into the dealership for staff should not be included in this amount.

8. Accrued interest on loans from shareholders and other related parties, as well as rents, must be paid in order for the dealership to deduct these amounts in the current year.

Keep accounting records open at end of December

1. Record December finance chargebacks in December.

2. Maximize LIFO deductions. Record all new vehicles that were built and invoiced in 2013 as vehicle purchases in 2013 by keeping the new vehicle purchase journal open the first few days of 2014.

3. Keep your accounts payable journal open to record all 2013 expenses in 2013, including advertising, interest, utilities, telephone, gasoline, data processing, insurance, etc.

4. Adjust your property tax payable account to equal at least

the total you actually paid in 2013.

5. If any vehicle deal is not a 100 percent completed deal in 2013 (all paperwork and funding in 2013), then treat it as a 2014 vehicle sale.

6. Make sure all miscellaneous inventories are adjusted to actual, including labor inventory, sublet, gas-oil-grease, body shop materials, etc.

7. Distributions paid to S corporation shareholders should be equalized in accordance to their ownership percentage before year-end.

8. You must include a reasonable estimate of your LIFO adjustment for the year on all versions of your December financial statements, without exceptions. If there is not a separate LIFO cost of sales account, charge the LIFO estimate to cost of sales in a cost account that has no other activity.

9. Compare your actual parts inventory to the accounting parts inventory and make adjustments where appropriate. Have your parts manager determine which parts should be considered worthless. Subject to your review, dispose of these parts by year-end. Be sure that your parts manager advises the office manager of the cost of the disposed parts and that the appropriate entry is made to remove the costs from inventory. Your parts manager should provide you with a final parts inventory summary showing the dollar amount of parts in inventory at the end of the year along with an aging of that inventory.

10. All wages and commissions paid in 2014 for 2013 services should be accrued in 2013. Make sure the first payroll in 2014 (even though some portion of the payroll was for 2013 services) is not included on your W-2s for 2013, but will instead be on the W-2s for 2014.

a. All accrued payroll for non-shareholders must be paid no later than March 15, 2013, for it to be deductible in 2013.

b. If you are a C corporation, make sure you pay any salaries, commissions, or bonuses to stockholders and related parties in December (if their ownership exceeds 50 percent) in order to take a 2013 tax deduction.

c. If you are an S corporation, wages to a shareholder cannot be accrued. You must pay them in 2013 and include the wages on the 2013 W-2.

11. Reconcile, where possible, all balance sheet accounts before closing the year.

Additional Year-End TO DOs

1. If you are not on LIFO for used vehicles, adjust all of your used vehicles to current wholesale market value at year-end. On an annual basis, used-vehicle LIFO should be discussed with your tax advisor. The IRS has developed an acceptable "alternative used-vehicle LIFO" method similar to the new-vehicle method.

2. Review current year fixed asset additions to determine if the costs should be capitalized or expensed. Generally, assets with a useful life beyond a year should be capitalized and depre-

Customers prefer salesperson with tablet, J.D. Power study says

Attention, sales teams: Customers report higher sales-process satisfaction when you use a tablet device.

According to the J.D. Power 2013 U.S. Sales Satisfaction Index Study released in November, sales satisfaction among new-vehicle buyers is 52 points higher when their salesperson uses a tablet device during the sales process than when the salesperson does not, in a ranking of 844 to 792 points on a 1,000-point scale.

“The study finds that tablets are proving to be versatile and effective tools that may help maintain consistency in the sales process, while providing easily accessible and dynamic product information,” said Chris Sutton, senior director of the automotive retail practice at J.D. Power.

“Although tablet usage has increased from a year ago, dealers are still missing an opportunity to improve their sales experience by providing shoppers with sales information on a single platform that allows them to easily browse options and features with immediate commentary from their salesperson,” Sutton said.

Key findings of the report include:

- Satisfaction is highest among new-vehicle buyers presented with pricing/payment options on a computer screen or tablet, at 833 points, followed by a computer printout (820); verbal price

quotes (792); and handwritten figures (780).

- Only 10 percent of dealership salespeople are using tablet devices, up from 7 percent in 2012.

- New-vehicle buyers most often indicate that salespeople use these devices to capture their personal information (51 percent); demonstrate vehicle features (41 percent); and display price or payment information (38 percent).

- During the shopping process, consumers most often use their mobile devices at the dealership to access vehicle pricing information (72 percent); model information (52 percent); and search inventory (38 percent).

The rankings are based on experiences of both buyers and rejecters, J.D. Powers noted, with overall sales satisfaction improving 9 points year-over-year to 673 in 2013.

Most Satisfied Customers

The report also offers new-vehicle buying experience rankings by auto brand. Among luxury brands, Jaguar ranks highest in satisfaction with the



new-vehicle buying experience, with a score of 740.

Also in the luxury category, Volvo showed most sales process satisfaction improvement, up 30 index points to rank ninth in 2013 (11th in 2012).

In mass market brands, for the fourth consecutive year MINI ranks highest with a score of 718, a six-point increase from 2012. Most improved among mass market brands was Kia, up 33 index points to rank 11th in 2013, versus 16th in 2012.

The 2013 U.S. Sales Satisfaction Index Study is based on responses from 29,040 buyers who purchased or leased their new vehicle in April or May 2013, reports J.D. Power, and also measures satisfaction with brands and dealerships that were shopped but ultimately rejected in favor of the selling brand and dealership.

Member-discounted tickets to 2014 auto show on sale now

Tickets and vouchers that admit the holder to the 2013 Chicago Auto Show free or at a reduced price can be ordered by CATA members using the order form (right), which is posted at www.CATA.info.

The passes promote goodwill with customers and even can help persuade a prospect to close a deal. Two kinds of passes are available, General Admission ticket and Weekday Discount voucher. The former, which costs CATA members \$600 for 100 tickets, admits the holder to the auto show free, without a box-office wait.

The Weekday Discount voucher costs members \$100 for 100 and admits the holder for \$6 during the week. Regular admission is \$12.

A minimum 100 passes must be purchased with either order. All CATA members in good standing will receive a package in early January that includes, among other things, 200 complimentary Weekday Discount vouchers.

2013 CHICAGO AUTO SHOW MEMBER DISCOUNT	
General Admission \$60 per 100 tickets to include: <input type="checkbox"/> Admission to the event <input type="checkbox"/> Unlimited parking <input type="checkbox"/> Unlimited access to all exhibits <input type="checkbox"/> Member discount on all CATA merchandise All information under: NO OFFERS ABOUT \$ _____	Weekday Discount Voucher \$100 per 100 vouchers to include: <input type="checkbox"/> Admission to the event <input type="checkbox"/> Admission to the event for \$6 during the week <input type="checkbox"/> Member discount on all CATA merchandise All information under: NO OFFERS ABOUT \$ _____
Please check the correct box for the 2013 Chicago Auto Show: <input type="checkbox"/> I am a CATA member <input type="checkbox"/> I am not a CATA member	
Please print or type the following information: CATA Company name: _____ Contact name: _____ Address: _____ City: _____ State: _____ Zip: _____ Phone number: _____ Fax: _____ Email: _____ Please print name in full: _____	
For CATA members on: Chicago Auto Show, Booth # _____ 2013-2014 Season 100 Auto Show tickets to be distributed to CATA members only. Member discount on all CATA merchandise. Member discount on all CATA merchandise. Member discount on all CATA merchandise.	

Year-end

CONTINUED FROM PAGE 3

ciated. There are new IRS regulations for expensing repair and replacement costs. The applicability to your dealership should be discussed with your tax advisor.

3. Review all past due accounts receivables, including employee receivables. Write off those receivables that are not collectible. For employees or former employees, issue them a Form 1099-MISC for the amount written off.

4. Review prepaid assets and expense all items in this account that are not valid as prepaid at year-end.

5. All payroll tax and sales tax payable accounts must equal the actual amount of the applicable taxes paid in 2014 for the 2013 fourth quarter and year-end filings. The year-end payroll tax accrual can include only taxes owed on wages actually paid in 2013.

6. Compute the Dec. 31, 2013, accrued vacation wages payable and adjust the books accordingly. Vacation wages paid Jan. 1-March 15, 2014, are deductible for tax purposes. No vacation accrual is allowed for any shareholders.

7. Review bank reconciliations for checks (including payroll checks over 60 days old) that are not expected to clear. These checks should be voided and reissued. Funds owed to payees who cannot be located may be considered unclaimed property which would require you to remit the funds to the appropriate state agency. Before reissuing a check to a vendor, be sure it has not been paid with a subsequent billing.

Year-End Tax Reporting

1. IRS Form 1099-MISC must be issued to all businesses that are not incorporated (including LLCs) and received \$600 or more during 2013 for payment of services, awards, commissions, or fees for services. A Form 1099-MISC must be issued for payments to an attorney even if they are incorporated. When preparing the 1099, for those vendors from whom you purchased parts in conjunction with a service, you must report the total payment made to them on the 1099. Also, Form 1099-MISC must be issued for all rents paid to non-corporate taxpayers, including shareholders, and Form 1099-INT must be issued for interest paid to shareholders and any other individuals.

2. W-2s for S corporation shareholders must include in wages premiums paid by the corporation for health insurance. This amount is not subject to Social Security or Medicare tax. If the dealership pays the insurance premiums on behalf of the shareholders' children who are employees of the dealership, the children's W-2 must include the insurance premiums.

3. Be sure you are in compliance with IRS rules and regulations regarding a backup of each month's accounting records on electronic media. We suggest you keep 60 months of electronic backup of your accounting data.

4. Determine if you are receiving services from individuals who should be considered employees. The IRS is providing a vol-

untary program that will allow you to convert these individuals from independent contractors to employees with partial relief from federal employment taxes and penalties. Consult your tax advisor for details.

Review procedures for the use of demonstrators to ensure you comply with the current IRS regulations

1. All individuals who are provided a demo to drive should sign a written demonstrator policy agreement.

2. There are two IRS-approved methods that can be used for full-time salespersons. One method provides them with tax-free use of the demo. This method is fairly complicated and restrictive. The second method, used by most dealers, is the partial exclusion method, wherein 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 example for a vehicle valued at \$25,000, the daily inclusion is \$6. Under this method, employees are not required to maintain logs.

3. For employees who are not full-time salespersons and any other individuals who drive demos, the annual lease value method is used. The amount included in income is based on personal-use mileage and the IRS annual lease table. The IRS requires that logs be maintained in order to verify business versus personal use of the vehicle.

4. The amount included in income is to be added to each employee's W-2. Non-employee family member income amounts also must be included in the employee's W-2. This income is subject to Social Security and Medicare tax. Shareholders not on the payroll who provide services to the company and any other non-employees must be issued a Form 1099-MISC for the income.

Other

1. Form 8300 must be filed if cash in excess of \$10,000 is received from a customer. Cash includes cashier checks, money orders and traveler checks. Make sure to properly file the form for each transaction and notify the customer of the filing. Ask your office staff to provide you with copies of the forms filed for 2013 to confirm that this function is being performed.

2. If the dealership has a section 125 plan (cafeteria plan), make sure eligible employees complete the 2014 election forms before the first 2014 payroll. Remember that stockholders owning more than 2 percent in S corporations (LLCs, etc.) are not eligible to participate.

3. If you offer a health care Flexible Spending Arrangement (FSA) as part of your cafeteria plan, in order for it to be a qualified benefit under a cafeteria plan, the maximum salary reduction contribution to the health care FSA for 2013 must be limited to \$2,500. If a plan allows in excess of \$2,500 in salary reductions from an employee, the employee will be taxed on all of the distributions from the health FSA, therefore losing the tax benefit of the FSA contribution. FSAs for other eligible covered expenses have various other limits. Stockholders owning more than 2 percent in an S corporation or an LLC are not eligible to participate.