



Newsletter to be electronic only beginning April 6

Add the CATA Bulletin to the growing Green Movement, as this marks the second-to-last print edition of the biweekly newsletter. Beginning April 6, the publication's contents will be available by computer only.

Visitors to the CATA's Web site, <http://cata.drivechicago.com>, can review current and past issues of the newsletter. New editions also are disseminated using the association's targeted blast e-mail campaign.

Those who want to receive the CATA Bulletin via e-mail must send their e-mail address to the newsletter editor, Erik Higgins, at ehiggins@cata.info.

The blast e-mail campaign has been operating for several years, so those who already receive the e-mails need not notify Higgins. The campaign includes opt-out options for those who want to stop receiving the newsletter.

Environmentalism played a role in the CATA board of directors' Feb. 22 decision to drop the newsletter's print version. But so did printing and first-class mail costs, at a time when all businesses are reviewing

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Part of government stimulus plan includes new-car sales tax deduction till Dec. 31

State and local sales and excise taxes can be deducted on all new cars purchased this year from Feb. 17 to Dec. 31, under the \$787 billion American Recovery and Reinvestment Act that President Obama signed Feb. 17.

The Auto Assistance Ownership amendment in the final economic stimulus package provides tax breaks for new-car buyers by giving them a federal-income-tax deduction on local sales and excise taxes, but not on the interest on loans, as was originally proposed by a Maryland senator.

Also, the deduction can be claimed on the purchase of a new vehicle but not on a vehicle lease.

There is no restriction on the type or car purchased, and it does not have to be a hybrid. Unlike worker and hous-

ing tax credits in other parts of the stimulus package, the new-car tax break is an income tax deduction. The buyer would be reducing his taxable income and, hence, net tax liability, so buyers in higher tax rates would benefit most.

But the stimulus package does contain price, weight and income restrictions. Deductions are allowed only for:

- the first \$49,500 of a vehicle's purchase price;
- vehicles that weigh less than 8,500 pounds; and
- taxpayers whose modified gross income is under \$125,000 for individuals or \$250,000 for jointly filed returns.

The tax deduction can be claimed on a new vehicle of any model year—when the original use commences with the taxpayer.

Stimulus package ad stimulates AG lawsuit

The Illinois attorney general's office is suing Frankfort-based PMT Advertising for a radio commercial that reportedly makes false and misleading claims about the new federal stimulus package, according to a lawsuit filed March 3.

The commercial, which aired in late February on two Chicago stations, tells listeners that in the wake of the \$787 billion American Recovery and Reinvestment Act, "the sales tax on your automobile purchase has been virtu-

ally eliminated." The spot also advises consumers that they can "(s)ave your sales tax and put up to \$3,500 in your pocket," among other claims.

PMT Advertising produces ads for various businesses, including new- and used-car dealerships. Some of its ads develop leads that the agency sells or gives to dealers. The disputed ad directed listeners to a Web site, www.deductyoursalestax.com, which was not operat-

SEE LAWSUIT, PAGE 2

Chicago Auto Show brings 'em out ahead of spring selling season

Even during an economy that isn't generating a lot of love, Chicagoans love their auto show. Steady crowds took their laps around the nation's largest auto show Feb. 13-22 to see the industry's latest offerings.

Exhibitors who travel the auto show circuit remarked about the largest flocks they witnessed all season. Indeed, aided by a rare inclusion of the Presidents Day holiday, attendance last month was on par with 2008 numbers until getting hobbled by a snowstorm on the show's second Saturday.

The CATA, which owns and produces the Chicago Auto Show, helped automakers tamp down their expenses at a critical time, such as by erecting a free stage during the show's Media Preview that the manufacturers could share for news conferences. One auto company representative said setting up a stage can cost \$250,000.

Hyundai relied on the stage for the world introduction of its Genesis Spec R coupe. Other world intros at the 2009 Chicago Auto Show included the Dodge Ram heavy-duty pickup and a high-performance Ford Taurus SHO.

'Best of Show' winners

Consumer voters identified their Chicago Auto Show favorites in five categories, in the show's fourth annual Best of Show balloting. Winners were:

- Best All-New Production Vehicle: Ford Taurus SHO (27% of vote)
- Best Concept Vehicle: Chevrolet Corvette StingRay (39% of vote)
- Best "Green" Vehicle: Ford Fusion Hybrid (31% of vote)
- Best Exhibit: Ford (30% of vote)
- Vehicle I'd most like to have in my driveway: Chevrolet Corvette StingRay (12% of write-in vote, with consumers allowed to choose from any vehicle on the show floor)

\$28,750 disbursed in ACE awards

Effective salespeople in the displays netted a combined \$28,750 under the Award for Customer Excellence program.

Salespeople from area dealerships who worked in the manufacturer displays were evaluated each day by incognito judges who rated the salespeople using various criteria to award prizes of \$150 on weekdays and \$200 on weekends. Several people won the award twice during the 10-day show. **Andrew Najarian** of Land Rover Winnetka captured the prize four times, and **Emanuel Tallackson** of South Holland Mitsubishi was a three-time winner.

First Look for Charity shines

Even in a down economy, the auto show's benevolent black-tie event helped raise more than \$1.8 million for 18 area nonprofits, and two attendees won new vehicles.

More than 7,000 supporters attended First Look for Charity. **John Almy**, 23, of Long Grove took home a 2009 Kia Borrego; and 27-year-old **Bosun Kim** of Des Plaines likely will be the first on her block with a 2010 Chevrolet Camaro.

Lawsuit

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ing at this newsletter's deadline.

The stimulus package signed last month by President Obama allows consumers to deduct the automobile sales tax on new cars purchased this year from Feb. 17 to Dec.31. But the deduction is to be claimed on federal income tax returns filed in 2010; it does not lower a car's transactional price.

Among other violations of the Consumer Fraud Act, the attorney general's office said the ad suggests the stimulus package applies to all makes and models and that "no restrictions apply," when, in fact, it does contain restrictions on vehicle weight and price, and purchaser income.

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expenses.

Any informational fliers that historically have been inserted into the newsletter will be part of the e-mail campaign but not necessarily on the Web site, so being part of the e-mail distribution ensures receipt of everything, going forward.

Be assured that the CATA does not sell or share any e-mail addresses it obtains, and the association disseminates e-mails that are informational only, not solicitous.

Congratulations!

Jerry Haggerty Chevrolet (Glen Ellyn), **Village Pontiac-GMC** (Naperville), and **Rizza Chevrolet** (Bridgewater) were among the country's top 100 sales leaders in 2008 of GM Certified Used Vehicles.

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The CATA Bulletin is published and mailed every other Friday except during the Chicago Auto Show, when it is not published.

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 <http://cata.drivechicago.com>.

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NADA committees get government activities briefing, visit Capitol Hill

By **RAY SCARPELLI SR.**

METRO CHICAGO NADA DIRECTOR

Dealers of the NADA's regulatory affairs and government relations committees received reports from staff on the association's vigorous efforts before Congress and the Obama administration on the industry crisis, as of late February. Floor-plan lending was on the top of both meeting agendas.

The NADA has been working closely with Congress, the White House, Treasury and the Federal Reserve to explain the critical need for dealers to have access to inventory financing. The NADA has proposed government floor-plan loan guarantees as a cost-effective and efficient way to return confidence to the securitization loan markets. Following the meetings, many dealers met with their representatives and senators to give them firsthand accounts of dealer difficulties with accessing floor-plan loans and other issues.

Committee members also received an in-depth briefing on the state-based fuel economy debate, which is heating up, as President Obama has ordered the Environmental Protection Agency to reconsider California's effort to impose its own fuel economy rules. NADA Chairman John McEleney was slated to testify before the EPA on how these rules would actually be implemented, outlining the 'patchwork' problem and how the rules would adversely impact auto dealers.

Tax issues were also at the forefront, and Iowa Sen. Chuck Grassley, the top Republican on the Senate's tax writing committee, told the assembled dealers that Congress understands the urgency to come up with a permanent solution to the estate tax. Grassley did say that while full repeal of the tax was unrealistic, he would be working with his colleagues to come up with a solution that would help provide certainty to dealers who plan to pass their dealerships on to family members.

Dealers also strongly reiterated their opposition to LIFO repeal, which is likely to be considered as a revenue raiser in the new Congress. For more information on the NADA's legislative and regulatory issues, visit www.nada.org.

In other legislative news . . .

- The NADA commends congressional leaders for including tax relief for new-car buyers in the stimulus bill. The following is a statement by David Regan, NADA vice president of legislative affairs, in response to the congressional agreement last month on the economic stimulus package:

"The NADA is pleased that tax incentives on new-auto

sales are included in the economic stimulus package. Allowing consumers to deduct sales and excise taxes paid on new vehicle purchases will help jump-start auto sales. While including interest deductibility on auto loans would have promoted even greater consumer interest in a new automobile, we applaud both House and Senate leadership—especially Sens. Barbara Mikulski (D-Md.) and Sam Brownback (R-Kan.) and Reps. Bill Pascrell (D-N.J.) and Steve LaTourette (R-Ohio)—for recognizing the importance of automotive retailing to the nation's economy.

"Anything that increases auto sales will also provide help for state and local budgets that rely on sales tax revenues, consumers, dealers and the auto industry. New-car dealers generate almost 20 percent of all retail sales in this country. Therefore, anything that can help get consumers back into dealership showrooms can also help stimulate an economic recovery."

Background: The Auto Ownership Tax Assistance bill, as introduced by Mikulski and Pascrell, would have allowed consumers to deduct auto loan interest as well as sales and excise taxes on new vehicles. The Senate passed the legislation, in its entirety, by a vote of 71-26. However, to reduce the costs of the overall package, the auto loan interest deduction provision was stripped out in House-Senate conference negotiations.

- The NADA responds to GM and Chrysler restructuring plans with statements from NADA Chairman John McEleney. The plans were announced Feb. 17.

o *NADA Statement—Chrysler*

"We are encouraged by Chrysler's restructuring plan. It's comprehensive and realistic and viable. The plan utilizes very conservative assumptions about auto sales over the next few years. What's most important, however, is that Chrysler recognizes that availability of credit for automotive consumers and dealers is the single most important element of Chrysler's viability. We look forward to working with Chrysler and the government to free up credit, both at the wholesale and retail level."

o *NADA Statement—GM*

"General Motors has submitted a strong plan. It's comprehensive and aggressive and achievable. We are, of course, exceedingly disappointed that a viable solution has not yet been found for Saturn, Saab and Hummer. When considering the future viability of these brands, GM should continue to aggressively pursue all options. We are pleased that GM recognizes the 'great dealer network' that supports these brands. Should it become necessary to phase out these brands, it is imperative that GM treat the affected

Scarpelli

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dealers fairly and that they be properly compensated. It is equally important to take care of the Saturn, Saab and Hummer owners. On the positive front, we are encouraged that GM recognizes that the availability of credit for automotive consumers and dealers is central to GM's survival. We look forward to working with GM and the government to free up credit, both at the wholesale and retail level."

In NADA news . . .

- The NADA's new **Industry Stabilization Task Force** drafted and sent a letter last month to all OEMs, covering many of the areas where dealers and manufacturers can work together through this period of industry crisis. A sample of the letter is at www.mag-netmail.net/images/clients/NADA/attach/Open_letter_to_OEMs.PDF. The NADA Industry Relations Committee is following up with each OEM to request an opportunity to discuss some of

the franchise-specific points outlined. In addition, the Public Affairs Group developed a broader communications plan that included publishing the letter in Automotive News.

- Two NADA online seminars are this month, March 12 and 26:

- o **"Responding to Organized Labor: Defending Workplace Democracy"** will be 1-2:30 p.m. March 12. D. Gerald Coker, a partner in the law firm of Ford & Harrison LLP, will discuss the Employee Free Choice Act (EFCA), which could become law this year and usher in the most dramatic pro-union shift in federal labor law in U.S. history. Questions will be addressed during the seminar's final 15 minutes.

- o **"A Deeper Dive into the FTC Red Flags Rule"** will be 1-3 p.m. March 26. Attorneys from the FTC's Division of Privacy and Identity Protection, which drafted and enforces the Red Flags Rule, will present the seminar along with NADA Regulatory Affairs Director Paul Metrey. With the revised May 1 enforcement date approaching,

dealers should ensure that their required Identity Theft Prevention Programs incorporate all covered accounts, include all relevant red flags, contain effective response and detection procedures, address all the rule's other requirements, and are tailored to their particular operations. Dealers will get a chance to direct questions directly to the FTC attorneys.

The fee for each seminar is \$199 per computer connection. To register, visit www.nada.org/seminars or call 800-252-6232, ext. 2.

Stimulus mandates temporary relief on COBRA premiums

Dealers with former employees and certain beneficiaries eligible for continuing health insurance coverage may need to issue a new COBRA notice indicating that they may be eligible for a 65 percent reduction in premiums.

The American Recovery and Reinvestment Act of 2009 (ARRA) provides temporary, taxpayer-funded premium relief for people otherwise eligible to elect to continue an employer's health plan coverage under the Consolidated Budget Reconciliation Act of 1985, known as COBRA.

As of Feb. 17, the ARRA program applies to people who become eligible for COBRA between Sept. 1, 2008, and Dec. 31, 2009. Those who choose to continue coverage may receive a 65 percent plan continuation premium discount.

In other words, employees who normally would pay 100 percent of their COBRA plan premiums may have to pay only 35 percent, with employers or the health plan picking up the difference.

The Department of Labor will issue a new model notice form by March 19, and the NADA has scheduled a Webinar about this subject for that date.

State bill would reduce allowance for carmakers to close a franchise; auto luxury tax mulled

Dealers would have added protection against what constitutes good cause for a manufacturer to cancel or fail to renew a franchise or selling agreement, under Illinois Senate Bill 1417, introduced last month in Springfield.

The action appears aimed squarely at the solvency of some manufacturers.

Another proposal, House Bill 451, would add a 5 percent luxury tax on cars that sell for more than \$60,000; plus additional taxes on expensive boats, aircraft, jewelry, fur clothing and footwear. That bill, sponsored Feb. 9 by Rep. LaShawn Ford (D-Chicago), has not yet attracted a cosponsor.

Among other things, SB1417 would strike language currently in the state's Motor Vehicle Franchise Act which states "Good cause shall exist to cancel, terminate or fail to offer a renewal or

replacement franchise or selling agreement to all franchisees of a line make if the manufacturer permanently discontinues the manufacture or assembly of motor vehicles of such line make."

Senate Bill 1417 also would make it a violation for a manufacturer to require or coerce a dealer to underutilize the dealer's facilities by requiring or coercing the dealer to cease operations for the selling or servicing of any vehicles that fall under a franchise agreement with another manufacturer. And, the bill provides an itemized list of what is considered reasonable compensation to a dealer for the value of the franchise and business premises, as well as a payment scheme for such compensation.

Following a first reading in the Senate, the bill has been assigned to chamber's Transportation Committee.