



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 dropdown menu to CATA-DealersEdge webinars.

Coming topics:

Thursday, Dec. 13 at 12 p.m. CST

“How to Plan for Parts Department Success in 2013” If you don’t have a plan, you are planning to fail. And Hope is not a Strategy.

As 2012 (or any year for that matter) draws to a close, dealers are faced with two tasks. The first is to evaluate

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Chicagoland Dealers Care contest on Facebook builds awareness

Days remain in a Chicagoland Dealers Care contest on Facebook that has 19 area charities vying for three cash awards from the CATA charitable arm. The contest continues through Dec. 12 at the Facebook page of DriveChicago.com.

The 4-year-old Chicagoland Dealers Care program supports area nonprofits that are favored by CATA dealerships. In the Facebook contest, a gallery of 19 dealers and the charities they support are featured. Visitors to the Facebook page can vote for a favorite charity, and the top three vote-getters will win cash donations.

The winning charity gets a \$3,500 donation and production of a Chicagoland Dealers Care public service announcement that will appear on NBC 5 Chicago and the websites of the charity program and the television station.

Second prize is a \$2,500 donation and third prize is a

\$1,000 donation.

By Dec. 6, nearly 32,000 votes had been cast in the contest, but the eventual winner is becoming clearer. Erin’s AAIM for Change, supported by Joe Rizza Ford of Orland Park, has captured nearly half the votes. The nonprofit was founded in 1997 after Erin Olmstead, a senior at Sandburg High School in Orland Park, was killed by a drunken driver.

Visitors to the Facebook page can vote daily through Dec. 12. The Turning Pointe Autism Foundation, backed by the Dan Wolf Automotive Group, trails the leader by about 6,000 votes. A closer race exists for the third prize.

Beyond the contest, Chicagoland Dealers Care donates up to \$1,500 to nonprofits that are supported by area dealers. Grant requests have come from a variety of causes: academic programs, cultural arts, performing arts,

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Webinars

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the year just ending and to give, or get, a grade on how well we used those 12 months. Were we successful? Do we even know what success is supposed to look like? The second task is to look forward to the next year and what we will do with it.

This webinar examines ways that parts managers can look at their responsibilities and past performances. The burning question: "With another 12 months in front of us, how can we plan to make a real difference for the dealership?"

Join Mike Nichols, an internationally known and respected parts inventory expert, as he guides you through a self-examination process that will yield a realistic, workable plan for success in 2013. You will learn:

- What success in parts should look like in 2013
- Why setting aggressive yet attainable goals is essential
- The six goals every parts manager should set for both the profit center and their performance
- How to identify changes in the marketplace and how that should impact your goals
- All about the Goal Setting Checklist
- How to take stock of the resources available

Tuesday, Dec. 18 at 12 p.m. CST

"How to Create a Business Plan for your Service Department - Opportunities for 2013" Opportunity is knocking for improved sales and profits in the Service Department. Are you ready to take advantage in 2013?

There's a reason it's called "fixed operations." Dealership service departments are supposed to provide a steady source of profits through thick and thin. But 2013 promises to be a more challenging year than most with the effects of three years of depressed new-vehicle sales now filtering through to service. Success in 2013, more than most years, requires a well-thought-out plan.

This webinar features ways that Service Managers can look at what happened in 2012 and how they can seize the opportunities available in 2013. The burning question is, "With another 12 months in front of us, how can the Service Dept. plan to make a real difference for the dealership?"

Join fixed operations expert Don Tipton as he offers concrete ideas and opportunities for you to grow service sales and profits in 2013. You will learn:

- How to identify areas in your service operation ripe for improvement
- How to analyze the "structure" of your Service Dept to see if you have the staff and resources to capitalize on those opportunities
- How to set a net profit objective compatible with your "structure" or vice versa

2012's Top 10 OSHA citations for dealerships, service centers

In a nod to David Letterman, KPA offered its annual Top 10 Occupational Safety and Health Administration citations for dealerships and service centers. The list is the most straightforward information about OSHA citations available for businesses in automotive retail and repair.

KPA, which provides environment and safety management, developed the Top 10 list by combining OSHA's annual Most Frequently Cited Regulations for Dealerships and OSHA's annual Most Frequently Cited Regulations for Repair Shops.

KPA pinpointed specific machinery and processes at facilities that were frequently cited.

The List:

1. Hazard communication
2. Respiratory protection
3. Unguarded machinery (parts grinder)
4. Electrical safety requirements
5. Powered industrial trucks
6. Exit routes and emergency action plans
7. Portable fire extinguishers
8. Spray finishing using flammable liquids (especially at collision centers)
9. General duty clause
10. Improperly maintained emergency eyewash stations

Contest

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medical research, and even humanitarian needs.

Some initiatives have been developed into 15-second spots broadcast on NBC 5, and all are trumpeted on the CATA's weekly radio show, "Drive Chicago," at 8 a.m. Saturdays on WLS 890 AM; and on the association's website, ChicagolandDealersCare.com.

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

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Hyundai's Krafcik, others to headline 2013 NADA convention

BY MARK SCARPELLI

CHICAGO METRO NADA DIRECTOR

Former Defense Secretary Robert M. Gates, who will discuss global politics and U.S. foreign policy, joins a lineup of industry and inspirational keynote speakers at the 2013 National Automobile Dealers Association Convention and Expo in Orlando, Fla., next February.

Gates served as the 22nd secretary of defense from 2006 to 2011, under both Presidents Barack Obama and George W. Bush, making Gates the only defense secretary in U.S. history to be asked to remain in that office by a newly-elected president. Gates has served eight U.S. presidents.

Industry keynote speakers at the NADA convention include John Krafcik, president and CEO of Hyundai Motor America; NADA Chairman Bill Underriner, a new-car dealer in Billings, Mont.; and incoming NADA Chairman David Westcott, a new-car dealer in Burlington, N.C.

Captain Mark Kelly, a former NASA astronaut, space shuttle commander of Endeavour's final mission and husband of former Congresswoman Gabrielle Giffords, will deliver an inspirational address. The 96th annual NADA convention runs from Feb. 8-11, 2013, at the Orange County Convention Center. For more information or to register, visit www.nadaconventionandexpo.org.

In other NADA news ...

The association is urging automakers to **stop unfair business practices**.

Bill Underriner, chairman of the National Automobile Dealers Association, outlined two contentious factory issues facing new-car dealers and urged automakers to support a level playing field for dealerships of all sizes.

"Two-tier pricing and mandatory facility upgrades are symptoms of a bigger overall problem: manufacturer intrusion into dealers' businesses," Underriner said Oct. 23 in remarks to the Automotive Press Association in Detroit. "The NADA wants the automakers to stop unfair practices."

The NADA last summer created a special dealer task force to focus on the fairness of stair-step programs, also referred to as two-tier pricing, which is a manufacturer-to-dealer incentive tied to sales goals. "The history of our industry is littered with automaker attempts to impose one-size-fits-all programs on dealers. These efforts at top-down control almost always fail," said Underriner, a Buick, Honda, Hyundai and Volvo dealer. "We favor lawful, equal and fair treatment by a manufacturer for all its dealers. Unfortunately, history shows that, at times, manufacturers create incentive programs that favor some dealers over others."

- Dealers are urged to contribute to the ongoing **Hurricane Sandy** relief efforts. If Sandy is anything like past super storms, requests for financial assistance from dealership employees who suffered damage to their homes will continue over the next six months.

As of Nov. 27, nearly 350 dealership employees have received more than \$179,000 from the Emergency Relief Fund of the National Automobile Dealers Charitable Foundation, and requests for assistance, mostly from New York and New Jersey, are growing every day.

We're especially grateful to the generosity of dealer associations in New York, the state hit hardest by the hurricane; as well as individual donations from dealers across the country. The Greater New York Auto Dealers Association has contributed \$250,000 to the NADA Foundation; the New York State Auto Dealers Association

has contributed \$50,000; and the Rochester Auto Dealers Association has donated \$10,000.

Over the first month of the fundraising campaign, total donations to the NADA Foundation's hurricane relief efforts exceeded \$384,000, but more funds will be needed as the damage assessment continues.

Other significant contributions to the Emergency Relief Fund over the past month have included \$10,000 from the Louisiana Auto Dealers Association; \$10,000 from DCH Auto Group; and \$5,000 each from Chicago Automobile Trade Association and the Greater Cleveland Auto Dealers Association.

Many dealerships and their employees along the East Coast are still struggling to rebuild after the hurricane, and we're hearing stories about some dealership employees who have lost everything.

It's not over. That's why we're urging dealers to contribute to the Emergency Relief Fund today and assist hurricane victims in need.

In other news ...

The Federal Reserve Board and the Consumer Financial Protection Bureau announced that the dollar thresholds in **Regulation Z** (Truth in Lending Act) and **Regulation M** (Consumer Leasing Act) for exempt consumer credit and lease transactions will increase to \$53,000 beginning Jan. 1, 2013.

This means that beginning Jan. 1, consumer credit transactions and consumer leases at or below \$53,000 are subject to the protections of the regulations. These increases are consistent with the Dodd-Frank Act amendments to the Truth in Lending Act and the Consumer Leasing Act to adjust these thresholds annually by the annual percentage increase in the Consumer Price Index.

CPA firm offers 2012 year-end planning checklist for dealers

By MICHAEL SILVER & Co.

CPAs, CATA ALLIED MEMBER

Year-End Planning

1. Building repair or maintenance items such as painting should be performed before year-end. However, due to the current anticipated income tax rate increases for 2013, you may want to delay these repairs until 2013.

2. If you plan to make any charitable contributions, consider making them in 2012 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 2012, and see that your personal income tax withholding is adequate. 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, you should consult with your tax advisor if you think you may be affected by the Alternative Minimum Tax.

4. Consider maximizing your retirement contributions, \$17,000 for a 401(k) plan and (\$22,500 if over age 50), and \$50,000 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 2012 meal and entertainment expenses. Travel expenses and the cost of a holiday party for employees or food ordered into the dealership 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 the accounting records open at the end of December

1. Record December finance chargebacks in December.

2. Maximize LIFO deductions. Record all new vehicles that were built and invoiced in 2012 as vehicle purchases in 2012 by keeping the new-vehicle purchase journal open the first few days of 2013.

3. Keep your accounts payable journal open to record all 2012 expenses in 2012, 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 2012.

5. If any vehicle deal is not a 100 percent completed deal in 2012 (all paperwork and funding in 2012), then treat it as a 2013 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. **There are no 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 2013 for 2012 services should be accrued in 2012. Make sure the first payroll in 2013 (even though some portion of the payroll was for 2012 services) is **not** included on your W-2s for 2011, but will instead be on the W-2s for 2013.

a. All accrued payroll for non-shareholders must be paid no later than 3/15/13 for it to be deductible in 2012.

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 2012 tax deduction.

c. If you are an S corporation, wages to a shareholder cannot be accrued. You must pay them in 2012 and include the wages on the 2012 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 depreciated.

3. Review all past due accounts receivables, including employee receiv-

Year-end

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ables. Write off those receivables that are not collectible. If any of these are from 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 2013 for the 2012 fourth quarter and year-end filings. The year-end payroll tax accrual can only include taxes owed on wages actually paid in 2012.

6. Compute the Dec. 31, 2012, accrued vacation wages payable and adjust the books accordingly. Vacation wages paid Jan. 1-March 15, 2013, are deductible for tax purposes. No vacation accrual is allowed for any shareholders.

7. Review bank reconciliations for checks (including payroll checks more than 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 2012 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. Review all of the non-employee activity and determine if they should really be considered employees for payroll tax purposes for 2013. 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 of 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 electronic backup of each month's accounting records. 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 voluntary 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. The first 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. Under this method, 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, the daily inclusion is \$6 for a vehicle valued at \$25,000. 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 must also 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 you receive cash in excess of \$10,000 from a customer. Cash includes cashier checks, money orders and traveler checks. Make sure you have properly filed the form for each transaction and notified the customer of the filing. Ask your office staff to provide you with copies of the forms filed for 2012 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 2013 election forms before the first 2013 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 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 2012 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.

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