Sales tax sought on dealer cash

As the Illinois Revenue Department widens its net in search of tax money, the matter of dealer cash is back in the cross hairs.

The department has proposed changes to the Illinois code on retailers’ occupation tax, to extract sales tax from certain rebates and dealer incentives. The regulations allow for such tax to be passed on to the customer.

The CATA will distribute that proposal shortly to dealer members. The proposal suggests the changes could occur later this year.

A major obstacle to meeting the changes involves developing a method to accurately calculate taxes for step programs and see Dealer Cash, Page 4

Use deterrence to avoid enabling employee theft: convicted embezzler

By Barry Webne

Editor’s note: The author will speak at an Oct. 12 CATA seminar about controlling employee theft. See the insert in this publication.

When I committed my crime back in 1991 through 1994, I thought I was one in a million. No one in his right mind embezzles money from his employer. It just didn’t happen.

That belief was only solidified when I entered federal prison and found that only about 2 percent of the inmates were white-collar criminals. I maintained that thought process until I had my first opportunity to speak publicly about my crime. In doing so, I’ve been able to do research and see just how rampant this crime is.

These types of crimes that continue to occur on a daily basis within our communities usually aren’t highly publicized. In most cases, business owners don’t want to admit that they’ve been a victim of this type of crime, let alone prosecute the perpetrator. Doing so would admit defeat and show weakness, and that would not look good in the eyes of potential customers, vendors and outsiders.

As a business owner or executive, take a step back and put yourself in the position of your most “trusted” accounting person—your Accounting Manager, Chief Financial Officer or Controller. With our nation’s economy in its current situation; with gas prices near $3 a gallon; and with individuals living on credit cards, one paycheck away from financial collapse, it’s easy to see how individuals get themselves in financial predicaments.

Couple this individual financial pressure with a lack of internal controls within your business, like the Controller who issues Accounts Payable checks and reconciles the bank statement each month.

It’s a recipe for disaster, and statistics have shown that at least 65 percent

See Theft, Page 3
NADA to host ‘Town Hall’ meeting in Rosemont Oct. 4

One of four NADA regional “town hall” meetings, designed to bring together dealers, dealer association executives and NADA leaders to discuss dealer issues from viewpoints not regularly seen or heard, will convene 11 a.m. to 2 p.m. Oct. 4 at the Hyatt Regency O'Hare Hotel in Rosemont.

Dale Willey, a Kansas dealer and 2007 NADA chairman, said dealers who understand the activities of their national, state and metropolitan dealer associations are more inclined to achieve long term profitability and success.

Willey will host the town hall meeting with Larry Brown, an Ottawa dealer and the NADA’s 2007 Region III vice chairman; and John Lyboldt, the NADA’s vice president of dealer services.

Brown and Lyboldt will brief attendees on recent NADA activities in legislative (CAFÉ, estate tax repeal), regulatory (adverse action notices, privacy, ID theft), and factory relations (DaimlerChrysler) arenas. Also, they will discuss NADA efforts to help dealers in these difficult times (Lifeline to Profits (DaimlerChrysler) arenas.

The majority of the meeting, however, will be for listening and discussing topics raised by attendees.

Dealers who want to attend must declare so by Sept. 16 to Keisha Metz at kmetz@nada.org or 703-821-7114.

New 331 area code to overlay 630

Thank the Illinois Commerce Commission for approving another area code overlay instead of carving out a separate region to be assigned a new area code.

The result: All calls in the 630 area code that currently are dialed with seven digits will need to dialed, beginning Oct. 7, with 11 digits—1 + area code + telephone number.

Callers in the land of area code 847 have faced the same imposition since the 224 overlay was introduced in 2002. The overlay forces calls even to a next-door neighbor to include dialing the area code. In 630-land, the new area code is 331.

In addition to changing dialing procedures, businesses might have to adjust all service, automatic dialing equipment, or other types of equipment that are programmed with a seven digit number. The devises will need to be reprogrammed to use the new dialing pattern. Some examples are:

- Call Forwarding Settings
- Life Safety Systems
- Fax Machines
- Alarm and Security Systems/Gates
- Speed Dialer
- Voicemail Services and Similar Functions

New NHTSA labels in effect

New-vehicle sales staff must become familiar with new safety-rating labels required to be displayed in addition to Monroney labels beginning Sept. 1, and with potential consumer confusion the new labels may cause.

The National Highway Traffic Safety Administration developed a brochure, “Coming to a Window Sticker Near You,” that includes sample labels and can help customers understand them. See www.nada.org/safetylabels.

Because the NHTSA’s New-Car Assessment Program assigns star ratings are based on test performance, the new safety information label is nicknamed “stars for cars” and features a 1-5 star graphic display.

The NHTSA does not test all models nor does it always conduct all tests on a model. To the extent is has been tested, a vehicle’s label may include frontal, side, and/or rollover test results.

Consumers potentially could be confused by:

- comparisons between model years—’08 MY Monroney label with safety data versus ‘07 without for the same make/model.
- unrated vehicles. Significantly, vehicles not rated are not unsafe because they must meet all applicable federal safety standards.
- vehicles not covered. For example, ratings are not mandatory for trucks or vehicles that weigh 10,000 pounds, vehicles with optional equipment. Since NCAP typically tests base-level vehicles, a vehicle of the same make/model with optional equipment might not have safety label information.
- same MY make/models with different safety information on their Monroney labels, since manufacturers are not required to issue new Monroney labels with updated test results for vehicles already in dealer inventory.

The warning symbol used to highlight unique circumstances. Critics of the new labels argue that NHTSA’s tests are tough enough in the first place, noting that nearly all vehicles get a four- or five-star rating.
New NADA directors elected for 2008

BY RAY SCARPPELLI SR.
METRO CHICAGO NADA DIRECTOR

Three dealers have been elected to the NADA board of directors:
• Forrest McConnell, III, McConnell Honda & Acura, Montgomery, Ala.;
• Charles R. Gaunce, Central Maine Motors Auto Group, Waterville, Maine; and
• Donovan A. Bertsch, Theel Inc., Bottineau, N.D.

Each will begin a three-year term at the NADA's annual convention, Feb. 9-12 in San Francisco.

Fifteen directors were re-elected, including me, serving Metropolitan Chicago. Others are Jack Caldwell, Arkansas; Tom Ganley, Metropolitan Cleveland; Dale Willey, Kansas; Jack Kain, Kentucky; David Westcott, North Carolina; Ed Tonkin, Oregon; Bud Smal, Western Pennsylvania; Annette Sykora, Northern Texas; Carroll Smith, Southern Texas; Stephen Wade, Utah; Wade Walker, Vermont; Michael Martin, Virginia; Marti Hollenbach, Washington; and Pete Greiner, Wyoming.

Special elections are being held for directors in Indiana and Mississippi, and for an at-large director representing women dealers east of the Mississippi River. Mary Ford Dolan, president of Freeway Ford-Sterling Truck Sales in Lyons, is seeking the post.

Marcy Maguire, Windsor Nissan, East Windsor, N.J., who held that position, has been elected to represent New Jersey dealers on the board. In a special election in South Dakota, H. Douglas Knust, Harry K. Chevrolet/Oldsmobile/Pontiac/Buick Inc., Chamberlain, S.D., will take office immediately to serve the remaining portion of Kevin Randall's term, which expires in 2009.

In other NADA news
• General Motors Chairman and CEO Rick Wagoner will give the keynote address at the NADA 2008 Convention & Exposition, Feb. 9-12 in San Francisco. Other speakers include Jay Leno, Bob and Lee Woodruff, and Tom Brokaw. As of late August, 11 hotels had already sold out for the convention, whose theme is “Focus on Profitability.” Review remaining hotels and register online at www.nada.org/convention.

Dealership profitability was an overriding topic at the recent quarterly dialogue meeting in Detroit between NADA's GM industry relations team and GM executives, including Mark LaNeve, Brent Dewar, and Bill Powell. At the meeting, dealers said:
• Cash flow is a critical issue in all stores;
• dealers want holdback paid monthly and incentives paid more quickly; and
• GM needs to be more competitive regarding incentives, especially those on trucks, where competition has been stiff.

NADA and GM reps said the NADA-sponsored dealer “fly-ins” to Washington this summer were a good example of how dealers and their manufacturers can work together.

About 200 dealers went to Washington to lobby their legislators to support the Hill-Terry CAFE proposal, an alternative to other, stricter fuel economy bills pending in Congress. The fly-ins resulted in stronger congressional support for the Hill-Terry legislation.

I serve on this on this NADA committee, representing dealers in the North Central Region. If there are topics you want considered at the quarterly meetings, please contact me at 847-395-3600. The next meeting is this autumn.

And please contact me about other concerns you think the NADA can help overcome.

Theft

CONTINUED FROM PAGE 1

of the time, under the right circumstances and pressure, that individual, your trusted employee, will cross the line and commit fraud.

The fact remains that we can easily fix this problem. We’re never going to be able to control the perpetrator and his or her thoughts or actions, but we can control the opportunities for fraud that exist within our businesses and organizations.

As business owners and executives, if we can first secure our own borders, close our internal control gaps and eliminate the opportunity for fraud, we can better protect ourselves and minimize the chance that one day we, too, will be victims.

Hands down, we are in complete control of our destinies as it pertains to employee theft and occupational fraud. We can continue to sit back, do nothing and play the odds.

But chances are, if we continue to operate our businesses as we have in the past, one day we will become a victim, maybe to the tune of hundreds of thousands of dollars.

On the other hand, we can step up to the plate today, spend a small amount of money to change some of the things we do from a task and policies and procedures standpoint within our business or organization, and mitigate the chance of any future significant fraud damages.
Aggregate tax on rentals: confusion

Dealers no longer may mark Exemption 5E, sold for rental use, on Illinois Form ST-556 for vehicles sold to be rented for one year or less. Retailers are liable for a Retailers’ Occupation Tax on the vehicle selling price, under a change effective Sept. 1.

Retailers are not authorized to collect sales tax from the purchaser. However, retailers can charge a “reimbursement” amount equal to the sales tax. If the reimbursement is not collected, the dealership would effectively absorb the new tax.

To collect a reimbursement, the dealer must separately state the amount as “reimbursement” on the invoice or other purchase contract. The Illinois Revenue Department reviews the change in a new informational bulletin, FY 2008-01.

Dealers who rent vehicles for terms of one year or less should consult with a tax advisor about the new tax implications for those vehicles. It is possible the dealer would be responsible for tax on the value of any such vehicle.

Dealers no longer may mark Exemption 5E, sold for rental use, on Illinois Form ST-556 for vehicles sold to be rented for one year or less. Retailers are liable for a Retailers’ Occupation Tax on the vehicle selling price, under a change effective Sept. 1.

Retailers are not authorized to collect sales tax from the purchaser. However, retailers can charge a “reimbursement” amount equal to the sales tax. If the reimbursement is not collected, the dealership would effectively absorb the new tax.

To collect a reimbursement, the dealer must separately state the amount as “reimbursement” on the invoice or other purchase contract. The Illinois Revenue Department reviews the change in a new informational bulletin, FY 2008-01.

Dealers who rent vehicles for terms of one year or less should consult with a tax advisor about the new tax implications for those vehicles. It is possible the dealer would be responsible for tax on the value of any such vehicle.

Dealer Cash

Continued from Page 1

Lump-sum payments. For example, a manufacturer pays cash incentives to a dealer who sells 15 units of one model in a month. How would tax be determined for a dealer who sells a 16th unit, only to see two deals later unravel?

“This would be very problematic to administer on a busy Saturday afternoon,” said CATA Chairman Mark Scarpelli. “The 14th buyer and the 15th buyer would be taxed differently.”

No other state is believed to tax dealer cash, but the Illinois Revenue Department’s rules appear to be written more broadly than those in other states.

To diffuse opponents of the changes, the department indicated it would exempt dealers from retroactive liability if there is no opposition to the proposal.

An Illinois Appellate Court ruled this state can pursue taxes on all the money a dealer receives tied to a sale—from the purchaser and the manufacturer. Hold back would not be taxed.

Scams alert

In a way, it’s refreshing to report about scams that don’t involve Nigeria.

Several area dealers received recent correspondence under the guise of the U.S. Department of Transportation. The fraudulent letters request bank account information in order to register as a current or potential contractor. Dealers who receive the letter should call the transportation department’s Inspector General Hotline at 800-424-9071.

The Internal Revenue Service has issued an alert about another scam, a two-step e-mail scam that falsely promises recipients they will receive $80 for participating in an online customer satisfaction survey. In the scam, an unsolicited e-mail that appears to come from the IRS contains a link to an online “member satisfaction survey.” But the survey asks for the respondent’s credit card information, among other things. The IRS emphasized that it does not send unsolicited e-mail.

Marketplace

Service Manager/Director Master Certified Ford service manager, attuned to increasing CSI scores and profits. Improved warranty trend report standings and fix-it-right scores. Increased shop hours and accelerated used-car inspection turnarounds. Learned processes to eliminate warranty clerk position. Tim Nickels, 630-638-1988.


Office Manager Outstanding Achievement Award as Lincoln-Mercury dealer accountant. Able to communicate with all levels of management and colleagues. Management expertise in all areas of office administration. Experience in situations demanding confidentiality. Professional with clients, salespeople, vendors. Joseph Fasano, 630-587-3838.

Used-Car Manager Thirty-six years’ car sales experience, 25 years as used-car manager. Skilled in buying and selling at auction, establishing wholesaler relationships. Anonymous, 708-707-5195.

Résumés of all candidates on file at the CATA.

In Memoriam

Irving Segal, who operated Loren Auto Group (Buick-Pontiac-Hyundai) in Glenview, died Aug. 24 at age 84.

Mr. Segal was a World War II veteran who was awarded a Purple Heart and a Bronze Star.

He is survived by his wife of 47 years, Paula; daughters Jill and Dana; and three grandchildren.