



Dealership gives SUV to family of boy injured in playground accident

When Alex Hook leaves the hospital for his home in southeast Wisconsin, he will travel in style — in a vehicle donated to his family by Ray Chevrolet in Fox Lake.

The 6-year-old suffered a severe brain injury on Sept. 10 when an object projected from a lawnmower hit him in the back of the head while he was at school recess.

Hook suffered a fractured skull and bleeding in his brain. A piece of bone was

removed from his brain, according to a GoFundMe page established to help his family cover unforeseen medical costs.

Anticipating his return home, his family signaled their need for a vehicle larger than their Jeep Cherokee to accommodate the boy's wheelchair and ease his entry



and exit.

Ray Scarpelli Jr., owner of Ray Chevrolet, was on it. "The family has been a customer of ours and when we (heard their story), we said, 'Let's help somebody who can really use it right now,'" Scarpelli said.

Scarpelli followed updates on Hook's condition and be-

gan working with the family to find a larger vehicle for the family.

The dealership found a 2018 Chevrolet Traverse that would fit the bill. "The advantage (of this model) is that the back seats fold down and there's room for his wheelchair," Scarpelli said. "Plus, all-wheel drive makes it safe."

Michelle Koertgen, Alex's aunt, said the family assumed

SEE ALEX, PAGE 2

EVs, hybrids creep higher on wish lists

Consumer preferences are always shifting. In the case of the auto industry, this means sales of cars with internal combustion engines may have hit their peak in 2019.

Tom Libby, an IHS analyst who studies brand loyalty, said during a recent seminar that data collected this year indicates there has been a migration to hybrids and electric vehicles. Moreover,

the loyalty of buyers purchasing vehicles with alternative powertrains is very high. Part of the high loyalty numbers reflect the loyalty of Tesla's buyers, but it also extends to other brands, he said.

Even with the semiconductor shortage, one trend apparent this year is the growing acceptance of electrified vehicles. Toyota, Hyundai, Volvo and

Ford introduced several electrified vehicles this year. The numbers for a variety of hybrid and battery electric models overall are quite high when measured against gasoline engines, Libby said.

The 20 highest volume hybrids across all brands tripled their registrations during the first half of 2021. Sales of pure battery electric vehicles are up

SEE EVs, PAGE 4

More vehicles stolen from dealership service bays

Two more vehicles were stolen this month from Highland Park dealerships, police for the city reported Oct. 11.

In one incident, Brian Bodden, a detective with the Highland Park Police, said a video camera recorded a white Jeep Grand Cherokee parking next to a service bay door during lunchtime and two Black subjects creeping next to the open door. The men proceeded to enter the service area while many technicians were away at lunch and searched for unlocked vehicles with their keys inside. Then the recording showed them leaving with one stolen car.

In the other incident, a technician had just

SEE THEFTS, PAGE 2

Profit potential of impending Ill. legislation focus of special meeting

Date: Monday, Oct. 18

Where: Rich Harvest Farms, a private golf course and country club near Sugar Grove

Host: Dynatron Software
MEETING PURPOSE

Review of new revenue opportunities stemming from OEM warranty legislation effective Jan 1. As you may be aware, House Bill 3940 was signed and takes effect Jan 1, 2022. This groundbreaking legislation requires your IMMEDIATE ATTENTION to capitalize on significant short-term net profit impact.

AGENDA

- 11:00-11:45 a.m.: CATA introduction and business meeting to review financial opportunity associated with



new legislation, to be held in the private auto collection and museum of Jerome "Jerry" Rich, the estate's owner and president.

- 11:45 a.m.-12:30 p.m.:

Lunch and tours of the Auto Collection and Museum

- 12:30 p.m.: Practice and warmup

- 1:00 p.m.: Shotgun start (Dealers only)

HOW TO REGISTER

RSVP is required. To RSVP, please visit www.dynatronsoftware.com/golf. Please indicate if you will be joining for just lunch and meeting or if you will be joining for lunch, meeting and golf. Limited golf spots are available, so please be certain of your availability before RSVPing.

Thefts

CONTINUED FROM PAGE 1

moved a vehicle inside the dealership for service and connected it to a computer before leaving for lunch. When he returned, the vehicle was missing. According to surveillance video, one male subject similarly snuck through the open service bay door and stole the vehicle.

The northern suburbs have experienced an increase in car burglaries and auto theft. By late 2020, Highland

Park, Highwood, Lake Forest, and Deerfield officials had logged 94 instances of stolen vehicles for the year, a nearly 130% increase over 2019, and 175 instances of theft or burglary to vehicles, an increase of over 70 percent from 2019.

The vast majority of vehicle burglaries and thefts occurred because car doors were left unlocked or keys/key fobs were left in or near the vehicle. Proximity to well-traveled highways is also associated with increased vehicular crimes.

Record vehicle prices mean record monthly repayments on new, used

Average prices for new and used vehicles are at all-time highs, forcing monthly loan repayments to cross new thresholds.

New-vehicle monthly repayments passed \$600 during the third quarter of this year, climbing to \$614 a month, according to the car-shopping website Edmunds. That's nearly \$30 a month higher compared with Q2's average repayment of \$586 and \$578 in the first quarter.

Meanwhile, the average monthly repayment on a used car now is \$500, up from \$473 in the previous quarter and from \$420 in the year's first period.

There currently is just an 18% difference between the two averages — the smallest gap ever, the website noted.

The average transaction price for a new vehicle is more than \$42,000, a new record. That has trickled down to the used-vehicle numbers as well. Edmunds said it climbed to a record high of \$27,306, compared to \$25,854 in Q2 2021 and \$21,697 in Q3 2020.

Alex

CONTINUED FROM PAGE 1

they would get some sort of deal on a used vehicle, but on Oct. 9 they found out it was a gift. She exclaimed, "It was a \$42,000 gift!"

Since the accident, other social media and community event fundraising campaigns have come to the aid of the family to help with unexpected expenses. "It's been non-stop, wonderful and overwhelming," Koertgen said.

A local motorcycle group is organizing a fundraising event on Oct. 23 to help the Hook family. "Just bring people together and show support for the family," said nearby resident Justin Guerrero.

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

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The case for LIFO

By WOODWARD & ASSOCIATES, INC.
CERTIFIED PUBLIC ACCOUNTANTS

Our office has been receiving numerous inquiries regarding dealer's LIFO reserves, especially in light of the significant reduction of new inventory. Generally, our answer has been that it makes economic sense to remain on LIFO. This message is to briefly outline our position.

Some important facts:

1. For dealerships that are taxed as S-Corporations or partnerships, the current (tax year 2021) effective tax rate is 29.6%. It is currently being speculated that the future tax rate will be 39.6% (tax year 2022 and forward). This is a roughly 33% increase. For purposes of this message, we will round to 30% tax rate for 2021 and 40% for tax years 2022 and forward.

2. If a corporation elects off LIFO, it takes five years before they can elect back on to LIFO.

3. Generally, LIFO deduction is 2% inflation factor multiplied by the prior year new-car inventory (unless inventory goes down like it has in 2021).

4. The decision to elect off LIFO does not need to be made until you file your corporate income tax return. Please take time and consider all the facts before making a decision.

The pros for staying on LIFO:

1. LIFO essentially is an interest-free loan from the government. By removing the LIFO reserve, there will be less cash in the dealership because of the associated tax liability related to the income from taking the LIFO reserve to income.

Right now, the industry is as strong as it ever has been. Who is to say that this trend continues and/or that you wouldn't need this cash later? By keeping a LIFO reserve, the

tax liability is reduced for the dealership annually, and as a result the cash stays in the business (vs paying the government) and is accumulative over time. This, in turn, allows the dealership to pay off floorplan or other debts (which increases profits) OR use this money to acquire other businesses or business assets.

a. We have heard from many who said they want to take LIFO to income to remove the future liability. This is very shortsighted, as you can use this cash in your business to make money by paying down debt or acquiring other stores/businesses.

2. The tax rates are likely going to go up 10% in 2022. If you elect off LIFO, you cannot elect back on for several years. Therefore, your future tax liability will not receive the benefit of a LIFO deduction.

The pro for electing off LIFO:

1. If the business intends to sell sometime in the next few years, then it might make sense to take advantage of the low tax rates now and pay the income tax on the LIFO reserve.

A comprehensive example:

For purposes of this message, let's assume a dealership generally has \$10 million of new inventory and has a \$1 million LIFO reserve. Let's also assume that at the end of 2021 this dealership will have \$4 million of inventory and \$400,000 of LIFO reserve. This would result in a \$600,000 LIFO reserve pickup in 2021, or \$180,000 of tax ($600,000 \times 30\%$). This example does not consider any time value of money or other possible savings.

Option 1 – Remain on LIFO:

The dealership maintains LIFO after a large pickup in 2021. The 2021 tax liability will remain at \$180,000 ($\$600,000 \times 30\%$). By 2022, let's assume the new inventory gets back to \$10 million and remains at that value for the next 4 years. The 2022 LIFO

deduction likely is \$80,000 with the tax savings of roughly \$32,000 ($80,000 \times 40\%$). In years 2023-2025, the annual deduction would be \$200,000 annually; tax savings of \$80,000 annually ($\$200,000 \times 40\%$); the cumulative deduction for those three years would be \$600,000 with savings of \$240,000. The cumulative savings after five years would be \$92,000 ($\$180,000$ tax pickup for 2021, minus \$32,000 savings in year 2, minus \$80,000 a year for years 3 through 5).

Option 2 – Elect off LIFO and spread over four years:

The dealership will pick up $\frac{1}{4}$ of the LIFO reserve into income each year from 2021 to 2024. The first year would cause a tax liability of \$75,000 ($\$250,000 \times 30\%$) and the subsequent three years of \$100,000 per year ($\$250,000 \times 40\%$ per year). This would cause a cumulative \$375,000 tax liability over four years.

Option 3 – Have large LIFO pickup in 2021 and then elect off LIFO and spread over the following four years:

The dealership would pick up \$600,000 in the first year, which would cause \$180,000 of tax ($\$600,000 \times 30\%$). Then spread the \$400,000 over four years, which will cause \$100,000 of income a year or \$40,000 of tax a year ($\$100,000 \times 40\%$). This would cause a cumulative \$300,000 tax liability over four years.

**There is an option to pick up the entirety of the LIFO reserve into income in 2021 if the LIFO reserve is small enough.

Summary: There are pros and cons for each option. But as you can see, in this specific fact pattern, there are ways to mitigate tax liability if you choose to elect off LIFO. However, the best option to limit the tax liability is to remain on LIFO.

New EV charger can provide 62 miles of range in 3 minutes

ABB Ltd. is preparing to roll out the first of its ultra-fast charging stations in a matter of weeks, providing enough power in less than three minutes to charge any electric car to drive 100 kilometers (62 miles).

The rollout of the Terra 360 stations, where a single charger can feed electricity into four vehicles

at once, is starting in Europe before the end of the year, and will spread to North and South America as well as Asia in 2022, ABB said in September. The technology can fully charge any auto battery in 15 minutes or less.

“The demand for EV charging infrastructure, especially charging stations that

are fast, convenient and easy to operate, is higher than ever,” said Frank Muehlon, president of ABB’s e-mobility division.

With road transport accounting for nearly a fifth of global CO2 emissions, e-mobility is critical to achieving the Paris climate goal, according to Theodor Swedjemark,

the company’s chief communications and sustainability officer.

Carmakers are churning out a wave of new electric models to keep up with tightening carbon emissions regulations that need to overcome consumer turn-offs like slow charging times and patchy infrastructure. With EV demand taking off,

ABB Chief Executive Officer Bjorn Rosengren in July predicted the charging business to double with the company preparing to list the business next year.

ABB high-power chargers already are being deployed through partnerships with operators such as Ionity GmbH and Electrify America.

100-plus US lawmakers rally support for EV tax credit bill

More than 100 U.S. House lawmakers on Oct. 12 urged Speaker Nancy Pelosi to keep a \$4,500 tax credit incentive for union-built electric vehicles in a massive spending bill.

In a letter seen by Reuters, 107 Democrats urged Pelosi to retain the credit supported by the United Auto Workers union, the AFL-CIO and U.S. automakers. The \$4,500 credit would provide a significant boost to Detroit’s three automakers — General Motors, Ford and Chrysler-parent Stellantis.

“We strongly support leveling the playing field between non-union and unionized workforces by including the added \$4,500 incentive to support union-made EVs,” the letter said. The push was led by Rep. Thomas Suozzi, D-N.Y.

Suozzi said the incentives “help guarantee that working men and women are an integral part of that success story.” Pelosi’s office declined to comment.

Foreign automakers do not have unions representing assembly workers in the U.S. and many have fought efforts to organize U.S. plants.

Twelve major foreign automakers in September urged Democrats to reject the proposed \$4,500 tax incentive and have been lobbying lawmakers to reject the union incentive.

A House panel last month approved legislation to boost EV credits to up to \$12,500 per vehicle, including \$4,500 for union-made vehicles and \$500 for U.S.-made batteries.

The foreign automakers said the proposal “would unfairly disadvantage American workers who have chosen not to join a union and produce more than half of all vehicles in the United States and the vast majority of American-made EVs.”

EVs

CONTINUED FROM PAGE 1

by 50%, Libby added.

So far this year, Toyota, a battery-electric skeptic, reports alternative powertrains, mostly hybrids, accounted for 24.2% of its vehicles sold in North America in 2021. Toyota’s decision to lower the price of several hybrid models and add hybrid versions in other categories have boosted sales 113.7%, according to figures released by Toyota Motor North America.

Trend reflected in sales figures

The same trend prevails at Volvo where the so-called alternative powertrain vehicles account for more than 18% of total sales. Hyundai reported sales of its eco-friendly vehicles increased by 348% thanks to strong demand for vehicles such as the Nexo, Kona EV and Ionic PHEV.

EVs and hybrids accounted for more than 5% of Ford’s sales in September and the number is likely to

go higher with the introduction this month of the hybrid Maverick.

Meanwhile, the Financial Times this month reported sales of electrified vehicles across Europe jumped from 118,000 in 2018 to more than 1.1 million units this year.

Consumer sentiment shifts

The growth in sales also reflects changes in consumer sentiment and expectations. EVs and hybrids cost more initially but their operating costs are lower long term, surveys indicate. With fuel prices on the upswing, long-term considerations make EVs and hybrids more affordable for a wider swath of consumers.

A survey by Pew Research done this summer showed 39% of U.S. consumers are willing to consider an EV for their next purchase. At the same time, surveys show younger consumers, who are becoming the majority of vehicle buyers, are more likely to consider an EV or a hybrid than are older Baby Boomers.