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Dealer help needed to push alternative to looming trade-in credit cap

With the brief fall veto session of the Illinois General Assembly approaching, area dealers and their employees are urged to contact their legislators and push for an alternative to the $10,000 trade-in allowance cap scheduled to take effect Jan. 1.

The veto session is Oct. 28-30 and Nov. 12-14.

State legislators and their contact information can be identified on the website of the Illinois State Board of Elections, www.elections.il.gov.

Officials of the CATA have been talking with state lawmakers and the staff of Illinois Gov. J.B. Pritzker about increasing the sales tax owed on private vehicle sales to collect the $45 million a year the trade-in cap is projected to raise.

Sales tax owed on a private transaction can amount to less than 4% of the vehicle's value, a rate that has not changed in decades.

The state currently collects no sales tax on a car's trade-in value, which in practice acts as credit toward a new vehicle purchase. By law, sales tax only applies to the difference between trade-in value and the new vehicle's purchase price.

Take, for example, an Illinoisan buying a new vehicle for $35,000 — about the average cost in 2018 — and trading in her car valued at $20,000. Currently, she would only pay sales tax on the difference, or $15,000. The average sales tax on this transaction would be roughly $1,311.

In 2020, trade-in credit above $10,000 will be taxed in addition to the difference between the new and used car prices. In this example, the $20,000 trade-in will not be taxed on the first $10,000 in value, but the remaining $10,000 gets taxed along with the $15,000 difference

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6 steps to building a dealership culture that attracts female employees

The auto industry historically has been dominated by men. But as the workforce advances to include, value and support more women, the auto retail industry is making an effort to keep up.

Not only is this an important cultural evolution for dealers to make, but it's also a crucial business evolution. Studies show women make a majority of household decisions about what car to buy and when. If those women walk into a dealership and see only men, especially on the dealership floor, it doesn't mirror their world at large, and could be detrimental to a potential sale.

Though incremental steps toward gender balance have been made, more work is needed to make the auto retail industry a place where women can build a successful career. Small, yearly increases in the number of women working at dealerships have been recorded, but that number dipped slightly in 2017, according to a National Automotive Dealers Association Workforce Study. To add to the disparity, only five percent of dealership general managers and less than one percent of service technicians are women.

The good news is, auto retailers see including women in the workforce as a top business priority. To ensure that female customers feel comfortable and empowered in dealerships, it's important they see women working at all levels.

While every dealership is different, there are steps dealers can take to make the workplace, culture and job offerings more attractive to women:

Analyze operations and culture

Dealerships need to take an honest look at their own operations and culture. Hireology's Julie Brinkman suggests asking employees for their insights, either by anon-

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Regulators debate whether cameras can replace car mirrors

Drivers in the U.S. may one day no longer have to crane their necks to check their blind spots if regulators agree to let high-tech cameras and screens replace the humble side-view mirror.

The National Highway Traffic Safety Administration said in a notice on Oct. 9 that it is seeking public and industry input on whether to allow so-called camera monitoring systems to replace rear- and side-view mirrors mandated by a longstanding U.S. auto safety standard.

Tesla and the Alliance of Automobile Manufacturers in 2014 petitioned the agency to allow cameras to be used in lieu of traditional mirrors, citing improved fuel economy through reduced aerodynamic drag as the primary benefit. Cameras feeding one or more displays inside the car could also improve rear and side visibility, the Auto Alliance has said.

But the NHTSA, which has been studying the possibility for more than a decade, says camera monitoring systems also may introduce new safety risks. A five-year agency study of the technology on heavy-duty vehicles found display screens were too bright, making it harder for drivers to see objects on the road ahead.

The NHTSA's 2017 tests of a prototype camera monitoring system found it was "generally usable" in most situations, and produced better-quality images than mirrors at dusk and dawn. It also found potential flaws, including displays that were too bright at night, distorted images and camera lenses that would become obscured by raindrops.

In a notice in the online Federal Register, the NHTSA is seeking outside research and data about the potential safety impacts of replacing mirrors with cameras to inform a possible proposal to alter the mirror requirement in the future.

The 60-day comment period became active after the notice was formally published in the Federal Register on Oct. 10. The agency didn't offer a timeline for a final decision, but changes to auto safety standards typically take years.

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ymous surveys or one-on-one private conversations. These findings can help dealership owners see what is working and what issues need to be addressed.

Address the myths of gender bias

It is also important to speak up about the subconscious biases against women in the workplace. Some dealership owners may believe they already have enough women on staff. However, these women are usually not in leadership positions or on the dealership floor. There is also a myth that men are better at sales or with handling money. This narrow thinking is untrue and should be addressed by leadership.

Appeal to a more diverse workforce

The six-day week, working 70 hours on commission, is common at the typical dealership. While this has been the norm for years, employee values are changing. Long hours, working on the weekends and commission-based profits are less appealing to younger employees and especially those with family responsibilities. To address this, dealerships can offer flexible scheduling, including rotating weekends off, and team selling, which can meet employees' needs while also maintaining dealership profits.

Create competitive employee benefits

With a prolonged labor shortage, dealerships are facing stiff competition for the best talent. To attract quality candidates and retain current employees, dealerships need to offer competitive benefits. This means offering health care plans that include health savings accounts (HSA) as well as investing in employees through benefits such as paid time-off and retirement plans with a 401(k) and matching contributions.

Establish a human resources department

Having a human resources department is vital to creating a more inclusive workplace. A well-defined employee orientation is one of the most important things a company can do to retain that worker, according to research from Hireology. HR departments also are good for business because they can handle staffing issues while also enforcing policies to help mitigate risk.

Promote and market a women-centric dealership

In order to attract, retain and promote women at auto dealerships, they need to feel supported and valued. Having women in the hiring process and providing a mentor for women who are new on the staff can go a long way in making them feel included. The mentor doesn't need to be another woman, but someone to talk and consult with.

In addition to supporting women internally, promoting an inclusive environment in marketing materials and on social media sends a message to the community and future customers that everyone is welcome at the dealership.

The auto retail industry is

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SOS revises guidance on issuing TRPs

The Illinois secretary of state has modified its directive on temporary registration permits, which took effect Sept. 15.

The purpose of the original memo was to ensure that when a dealer issues a TRP, the dealer also must complete a title and registration application at the same time.

The memo created confusion for dealers who issue TRPs while waiting to find out whether the customer's application for financing will be approved (instead of spot delivering a vehicle on a dealer plate).

Under its modified guidelines, **the secretary of state will grant dealers up to 15 days after issuing a TRP to void the application.** If not voided within 15 days, the application will be processed and the vehicle will be titled in the customer's name.

If asked to provide an explanation for why the TRP was voided on a cancelled spot delivery, it is recommended that the dealership state simply that the customer elected to cancel the purchase and return the vehicle.

AIADA turning 50

The American International Automobile Dealers Association will mark 50 years at its annual meeting and luncheon that coincides with the NADA Show in Las Vegas.

Registrants will gather beginning at 11:30 a.m. Feb. 17 at the Westgate Resort & Casino. There will be a special ceremony honoring past chairmen of the association and keynote remarks from Henio Arcangeli Jr., senior vice president of the automobile division of American Honda Motor Co. Also, current AIADA Chairman Howard Hakes of California will pass the gavel to the 2020 chairman-elect, Jason Courter of Washington.

Tickets are $75 each, or $500 for a table of eight. Register at www.aiada.org.

Proposed Safeguards Rule changes aren't right path forward for dealers

By Charlie Gilchrist
2019 NADA Chairman

Across a number of industries, including the retail auto industry, the data landscape is changing drastically, and the volume of data our dealerships collect is growing exponentially. As dealers, we rely on this data to serve our customers — whether it's assisting with finance transactions or alerting customers for service.

The data we maintain is at the heart of our businesses and core to our customer relationships and reputations. With this in mind, dealers have always taken significant steps to protect our customers' private information, and that will remain an essential priority for us going forward.

But recently, the Federal Trade Commission issued a notice of proposed rulemaking to amend the Safeguards Rule. This would require dealerships to, among other things, adopt specific, minimum technological standards to protect the data we collect. Some of these requirements include encrypting customer information, multi-factor authentication, and hiring a chief information security officer (CISO) to oversee a dealership's information security program and report to its board of directors. While employing these measures may be desirable, they do not exist in a vacuum, and there has been no demonstration that all of them are necessary to protect customer information.

Not only would these prescribed measures add enormous compliance costs — an average one-time, upfront cost of $293,975 and an average annual cost of $276,925 — they also fail to account for business size, risk and sensitivity of the data collected by entities required to comply with the rule.

The existing Safeguards Rule has afforded dealers the flexibility to employ data safeguarding tools that make sense based on the nature of our respective businesses. In contrast, the FTC's proposed changes would dictate that all dealerships across the country implement all items on a long list of security tools and requirements.

The cost of these changes might be easy for a megabank like Citibank to absorb, but as we're all aware, most dealerships are small, Main Street businesses, and we don't have the same resources.

While we all support protecting customer information and dealers should proactively review with their vendors the adequacy of their security measures, the FTC's proposed one-size-fits-all rulemaking is not the right approach. Indeed, Automotive News made just this point in an editorial published in September.

The NADA is hard at work on this issue. In addition to submitting detailed comments to the FTC, we are leading comprehensive educational sessions with key reporters and media outlets, including Automotive News. Our priority is opposing the proposed sweeping amendments to the Rule and highlighting the significant impact they would have on dealers if adopted.

The NADA's goal is to obtain a regulatory approach that protects sensitive data appropriately but still allows dealers across the country to focus on our core business: serving customers and meeting their needs.

CFPB puts abusive GAP sales on its radar

The Consumer Financial Protection Bureau is likely to keep an eye on lenders' sales of guaranteed asset protection (GAP) products after highlighting the issue as a key finding in its summer 2019 Supervisory Highlights report.

The report underscored one or more instances of auto lenders selling GAP products to consumers who would not have benefited from the product given a low loan-to-value (LTV) ratio.

GAP coverage is designed to cover the difference, or gap, between the amount owed on an auto loan and the amount received from the auto insurer in the event the vehicle is stolen, damaged or totaled, the report read.

When a consumer has a high LTV, he owes more in auto loans than the car's actual value. So, if the car gets totaled, the insurer would pay what the car is worth and the consumer would be left paying on a loan for a car he doesn't have. GAP insurance is designed to cover that difference.

However, vehicles with low LTVs are typically worth more than the loan amount, eliminating the payment "gap" that might arise if they're stolen, damaged or totaled.

Essentially, lenders sold consumers a product they would be unable to use. The CFPB declared the sales were evidence of consumers' lack of understanding of the product and lenders subsequently taking "unreasonable advantage of consumers' lack of understanding."

"In response to these examination findings, the lenders have undertaken remedial and corrective actions, including reimbursing consumers for the cost of the product and establishing an LTV minimum for GAP product sales," the report noted.

This isn't the first time the bureau called attention to add-on products. Unfair and deceptive practices regarding ancillary products was a top issue highlighted in the CFPB's previous Supervisory Highlights report published in March, wherein auto lenders miscalculated rebates, which resulted in higher deficiency balances, and then failed to request refunds from service providers after repossession or a total loss.

DOL issues salary changes to white-collar OT exemptions

The U.S. Department of Labor is updating and revising the earnings thresholds necessary to exempt executive, administrative or professional employees (EAP or "white collar") from the Fair Labor Standards Act's overtime pay requirements. The final rule takes effect Jan. 1, 2020.

Employees who work more than 40 hours in a workweek but who meet both the salary and duties tests for an EAP exemption do not have to be paid the federal overtime premium of 1.5 times their regular rate of pay. The EAP exemption salary threshold is increasing from the current $23,660 to $35,568 per year (or from $455 to $684 per week). The DOL is allowing up to 10% of these salary thresholds to be satisfied by nondiscretionary bonuses or commissions.

No changes were made to the EAP exemptions duties tests. The salary threshold for highly compensated employees (HCEs) also is being increased from the current $100,000 to $107,432 (there are no duties tests for HCEs). The new rule requires that HCEs receive at least $684 per week in salary, but the remainder of their compensation may be in the form of nondiscretionary bonuses or commissions.

The NADA is amending its Dealer Guide to Federal Wage and Hour, Child Labor and Wage Discrimination Compliance to reflect these new changes. Important: Under federal law, it is possible for more than one overtime exemption to apply to a given employee and for certain state laws to restrict how federal overtime exemptions may be applied.

For more information, email regulatoryaffairs@nada.org.

Tax

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between the new and used car values. So sales taxes will be applied to $25,000 of the transaction, which will cost her $2,185.

So the same car deal will cost her an extra $874 in sales taxes if she waits until Jan. 1.

Because the state already collected sales tax on the retail transaction when she first bought the used car, many have likened the trade-in tax to "double taxation."

While drivers can avoid Illinois' doubled gasoline tax by buying across the state line, they can't escape the trade-in tax cap because it applies to out-of-state purchases.

State leaders this year passed 20 new or expanded taxes and fees to fund a $45 billion infrastructure bill and record $40 billion state budget.

If legislation to repeal the trade-in cap reaches Pritzker's desk, the governor will have the opportunity to give working Illinoisans some of the tax relief he promised by reversing one of the many new taxes he's imposed on them in his first year in office.