A corrected correction

Area’s April 1 tax rate increases by the numbers—really

Consider this: Even the fabled Casey at the Bat got three whiffs before he struck out.

Pending tax rate changes were presented incompletely by the CATA in the March 10 edition of this newsletter and again in a blast fax on the subject days later. The previous total rates failed to include a 0.75 percent Cook County use tax that is remitted directly to the county and is not recorded on the Illinois Revenue Department’s Form ST-556.

The composite numbers below are accurate, according to accountants with Crowe, Chizek & Co. Cash registers and any computer programs must be adjusted for the correct tax amounts effective April 1.

State lawmakers awarded an additional quarter-cent per dollar Regional Transit Authority tax in Cook County and twice that in the five collar counties to fund mass transit in Chicago.

The new RTA tax rate is 1 percent in Cook County and 0.75 percent in DuPage, Kane, Lake, McHenry and Will counties. The RTA tax is reflected on Line 4 of Form ST-556. Until the department distributes updated forms, dealers will have to amend their pre-printed forms.

The differing rates among counties have caused some confusion among dealers who sell a vehicle to someone who lives in another county. Suburban dealers with a Chicago customer should collect the higher Chicago rate and submit that to Springfield, which will direct Chicago’s home rule dividends back to the city’s revenue department.

The only time a customer may pay less than the rate preprinted on a dealership’s Form ST-556 is if the customer’s address is outside Illinois. Then, the customer would pay the rate set forth where he lives.

The Cook County Use Tax, amended in 1995, adds 0.75 percent to items. See Taxes, Page 2

Northeast Illinois taxes, effective April 1, 2008

<table>
<thead>
<tr>
<th>Tax</th>
<th>Chicago</th>
<th>Cook</th>
<th>DuPage</th>
<th>Kane</th>
<th>Lake</th>
<th>McHenry</th>
<th>Will</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>• State</td>
<td>5.00</td>
<td>5.00</td>
<td>5.00</td>
<td>5.00</td>
<td>5.00</td>
<td>5.00</td>
<td>5.00</td>
<td>5.00</td>
</tr>
<tr>
<td>• Municipal</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
</tr>
<tr>
<td>• County supplemental</td>
<td>+0.25</td>
<td>+0.25</td>
<td>+0.25</td>
<td>+0.25</td>
<td>+0.25</td>
<td>+0.25</td>
<td>+0.25</td>
<td>+0.25</td>
</tr>
<tr>
<td>Base sales tax</td>
<td>6.25%</td>
<td>6.25%</td>
<td>6.25%</td>
<td>6.25%</td>
<td>6.25%</td>
<td>6.25%</td>
<td>6.25%</td>
<td>6.25%</td>
</tr>
<tr>
<td>• Chicago Home Rule</td>
<td>1.25</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• RTA tax</td>
<td>1.00</td>
<td>1.00</td>
<td>0.75</td>
<td>0.75</td>
<td>0.75</td>
<td>0.75</td>
<td>0.75</td>
<td>0.75</td>
</tr>
<tr>
<td>• DuPage Water Commission</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>+0.25</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• supplemental Cook County tax*</td>
<td>+0.75*</td>
<td>+0.75*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effective April 1, 2008</td>
<td>9.25%</td>
<td>8.00%</td>
<td>7.25%</td>
<td>7.00%</td>
<td>7.00%</td>
<td>7.00%</td>
<td>7.00%</td>
<td>6.25%</td>
</tr>
<tr>
<td>• on vehicles and</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>general merchandise</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effective July 1, 2008</td>
<td>10.00%</td>
<td>9.00%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• on general merchandise</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(vehicles not affected)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Not reported on Form ST-556; remitted directly to Cook County.
House bill considers ban on dealer-mandated arbitration

Auto dealers celebrated a lobbying victory in 2002 when they got Congress and President Bush to ban mandatory binding arbitration of disputes arising from their franchise agreements with automakers. Now comes the hangover.

Spurred by consumer groups, lawmakers have introduced a bill that would prohibit dealers from requiring customers to accept binding arbitration to settle disagreements over sales or lease deals.

The bill, H.R. 5312, is named the Automobile Arbitration Fairness Act of 2008. A similar bill is expected to be introduced in the Senate by Sen. Russ Feingold (D-Wis.).

“This legislation would connect the chain from manufacturers to dealers and from dealers to consumers,” Rep. Linda Sanchez (D-Calif.) said when she introduced the House bill last month.

Sanchez heads the House Judiciary Committee’s subcommittee on commercial and administrative law. The subcommittee held a hearing on the bill March 6, but no other action is scheduled.

The National Automobile Dealers Association is neutral on the Sanchez bill, said David Hyatt, the association’s chief public affairs officer.

The NADA considered passage of the ban on automaker-mandated arbitration “critical” to the well-being of the franchise system, he said. To oppose the latest bill would be “inconsistent,” said Hyatt.

Taxes
CONTINUED FROM PAGE 1

that must be titled or registered with the State of Illinois. To remit the tax, on a monthly basis, dealers must be registered with the county’s revenue department. Dealers located outside Cook County who regularly advertise in Cook and who sell vehicles to Cook County residents are advised to register with the department and collect the tax.

Cook County also levies a “wheel tax” on all new vehicles retailed in the county. The tax ranges from $7.50 for a two-wheel motorcycle to $22.50 for a semi-trailer. Four-wheeled vehicles are assessed $15.

Beginning July 1, Cook County’s sales tax on general merchandise like parts climbs another 1 percent. But the tax rate on vehicles and other items that must be titled and registered will not be impacted by that increase.

The looming 10.25 percent rate in Chicago will give the city the dubious honor of having the highest general sales tax of any major U.S. city.

IRS amends LIFO to clear line blurred by crossovers

The Last-In, First-Out accounting procedure (LIFO) used by many dealers has been amended by the Internal Revenue Service to provide a safe harbor pooling method for resellers of cars and light-duty trucks that weigh up to 14,000 pounds.

The change eliminates the administrative inconvenience, costs, and audit exposure that result from having to determine on a yearly basis whether crossover vehicles should be placed in the LIFO pool for cars or the LIFO pool for light duty trucks.

The Treasury Department and Internal Revenue Service recognize that the distinctions between cars and light-duty trucks have diminished significantly since the issue was last addressed in IRS guidance and by the courts.

Effective for tax years ending on or after Dec. 31, 2007, the revenue procedure provides a safe harbor pooling method, the Vehicle-Pool Method, for resellers of cars and light-duty trucks that weigh up to 14,000 pounds.

The Vehicle-Pool Method allows a reseller to establish a new-vehicle pool for inventories of new vehicles including new cars, new light-duty trucks, and new crossover vehicles including SUVs, minivans, and other similar vehicles; and a used-vehicle pool for inventories of used vehicles.

Revenue Procedure 2008-23, issued this month, also provides the procedures for a reseller subject to the LIFO pooling requirements to obtain automatic consent to change to the Vehicle-Pool Method.

The Industry Issue Resolution program, launched by the IRS in 2001, tackles tax issues submitted by taxpayers, associations and other groups representing businesses. The objective is to resolve frequently disputed or burdensome tax issues.

NADA sales tip: recommending, presenting product to customers

The more you know about your product line, the better prepared you’ll be to make a recommendation. You need to know all of the features and benefits of each vehicle in order to determine which one best fits your customer’s needs.

Making a recommendation
When you make your recommendation, you should base it on priorities the customer has already identified for you. Using a low-key approach, explain to the customer how the recommended vehicle will satisfy the needs you have discussed.

Remember that your recommendation is not the final word. The customer may recognize other needs that this vehicle cannot meet. While the customer may not say anything outright, you may sense discomfort. Don’t panic. Simply ask if there is something you may have overlooked, and if so, what it is about the car that presents a problem. Then reassess the customer’s requirements and suggest an appropriate alternative. Ask the customer for permission to show the vehicle.

Product Presentation
Your product presentation is your opportunity to tell the customer about the features and benefits of the vehicle you’ve recommended. To give a good presentation, you must know the product thoroughly and be able to translate technical information into layman’s terms. Moreover, you must know the competition and be able to describe differences between your product and theirs.

To learn about your own product, study your manufacturer’s product materials. To learn about the competition, study automotive product publications. Pay close attention to performance ratings and make a point of knowing the areas where your vehicle excels. Consider visiting the competition yourself to learn firsthand what those vehicles’ strong points are.

Here are a few suggestions for your presentation:

1. Sell value and benefits. Show how well the vehicle fits your customer’s express needs. Explain fully any “hidden” design features that contribute to comfort, dependability or safety. Describe warranty coverage and any further benefits your dealership may provide.

2. Keep the customer involved. Encourage your customer to ask questions, comment, and react. Make him or her part of the process.

3. Be flexible. Keep adjusting your presentation to your customer. If a particular part of the presentation excites him or her, stay with it and elaborate. If the customer seems bored, move on or try to involve him or her more fully.

This article is excerpted from “A Dealer Guide to a Winning Sales System.” The publication can be ordered online at www.nada.org/mecatalog or by calling the NADA at 800-252-NADA, ext. 2.

Use response method that online shoppers request: Polk study

A dealership’s responsiveness to online shopper inquiries significantly impacts vehicle purchase decisions, contends a study to be released in April by R. L. Polk & Co.

Simply initiating a response is not enough to build customer loyalty, the study concluded. Rather, dealers must respond as consumers request, factoring in content, speed and method of response, in order to increase the chance of selling a vehicle.

Polk said that 47 percent of consumers who want an e-mail response consider 10 to 24 hours as an acceptable turnaround time. Conversely, two-thirds of consumers with phone preferences expected to be contacted within one hour.

“Paying attention to the method of response is critical to the success of a dealer’s online leads. Customers want to do business with dealers who listen to them,” said Polk’s Lonnie Miller.

Congratulations!

Acura of Libertyville, Arlington Acura in Palatine, McGrath Acura of Westmont, and Muller’s Woodfield Acura are among 38 U.S. dealers named to the 2007 Acura Precision Team, for achievements in customer satisfaction and service.

Four area dealers are among 100 members of the 2007 GMAC Leaders’ Club: Phillips Chevrolet (Frankfort), Scheapel Buick-Pontiac-GMC (Merrillville, Ind.), Sunrise Chevrolet (Glendale Heights), and Woodfield Chevrolet-Hummer (Schaumburg).

Honda Financial Services’ 2007 Council of Excellence includes Acura of Libertyville, Bill Kay Honda (Bourbonnais), McGrath Acura of Westmont, McGrath City Honda (Chicago), Muller Honda (Highland Park), Muller's Woodfield Acura (Hoffman Estates), Planet Honda (Matteson), Joe Rizza Acura (Orland Park), and Valley Honda (Aurora).
Credit turmoil projected to hurt car sales: J.D. Power

J.D. Power & Associates slashed its forecast for new-vehicle sales this year to what would be the lowest level since 1994, and blamed a softening economy for keeping consumers away from car lots. The research firm on March 19 cut its forecast for U.S. sales 4.8 percent, to 14.95 million, and said that the sales market will weaken further in the second quarter before beginning a rebound.

J.D. Power’s prior 2008 sales forecast was 15.7 million vehicles. Sales of about 16 million vehicles is considered a healthy level.

Auto sales were expected to be weak this year because of the economic climate and what critics say are few attractive new models. Delinquencies on auto loans have been increasing, and the credit crunch has tightened lending standards.

The market-research firm, while noting weaker sales in January and February, said much of the reduction in outlook was due to slumping consumer confidence and persistent turbulence in the economy.

Retail sales are now seen totaling 12.3 million vehicles this year, down from the old forecast of 12.6 million and from 2007 sales. J.D. Power said that “general economic conditions, coupled with less widespread incentives, are driving the retail decline.”

Fleet sales also are expected to be under pressure.

Online

Continued from Page 3

Polk’s study, which examined the online shopping experience of more than 570 new-vehicle buyers, shows that 70 percent of those who purchased from a responding dealer were contacted by their preferred communication method. Overall, 68 percent of consumers who received a response purchased from the responding dealer.

According to Polk, consumers are most interested in vehicle availability and price. But getting the lowest price for a vehicle is not the single most important determinant for most consumers. Rather, buyers are willing to pay a competitive price for a vehicle.

“Dealers can establish loyalty by improving response time and pricing information,” Miller said. “If a dealer is not already including price information in (his) response, (he) should begin doing so immediately.

Dealers also should consider the significance of the first-time buyer audience as they evaluate Internet inquiries, because brand loyalty begins with this group.

Auto financing options dwindle in credit crunch

The U.S. mortgage crisis and a resulting credit crunch have put a crimp in auto financing, too, as consumers with weaker credit find it harder to get loans, lenders and auto dealers say.

But even car buyers with excellent credit may see their choices of lenders dwindle as independent banks and finance companies scale back on the car loans they’re willing to make.

Taking up the slack for many dealers are the so-called captive-finance units, basically loan operations run by the automakers themselves to help their dealers finance new-car purchases.

For consumers, the rougher lending landscape could mean they’ll have to make bigger down payments, pay higher interest rates or choose a used car over a new model to cut costs.

“In the past four to six months, the overall credit markets have tightened, and funding availability is becoming tougher,” said Steve Lambert, president and chief executive officer of Nissan Motor Acceptance Corp., the lender operated by Nashville-based Nissan North America Inc.

“What we’re seeing is some of the sub-prime lenders struggling to gain funding, and they are backing off in their auto lending,” he said. “As a result, we are seeing more of the customers who typically would not be coming to a captive-finance source.”

The catch is that Nissan Motor Acceptance and most other captive lenders aren’t set up to handle a large number of subprime customers, and some would-be borrowers are being turned away.

Dealers not required to replace deployed air bags, NHTSA says

The National Highway Traffic Safety Administration recommends that when an inoperative air bag is discovered, it either should be restored by the vehicle seller, or a written disclosure should be given to the vehicle purchaser.

Dealers should ask customers if the air bags of their trade-ins have ever been deployed and if, to the customers’ knowledge, the bags are functional. The written disclosure should be shared with a vehicle’s next purchaser.

When repairing inoperative air bags, the original manufacturer’s repair and replacement instructions should be followed precisely.

Deactivated air bags, retrofits

Dealers are not restricted from selling used vehicles with deactivated or retrofit air bags. But dealers shouldn’t be the ones who deactivated them.

Retrofit switches can turn the air bag function on and off; deactivated air bags are turned off indefinitely. In both instances, a customer should be given written notification before the sale.

When delivering a switch-equipped vehicle, a signed statement should be obtained that acknowledges the switch is in the on or off position.