



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 drop-down menu to CATA-DealersEdge webinars.

Coming topics:

Thursday, Dec. 1 at 12 p.m. CST

“Business Math for Parts Managers” Financial Statement analysis is an important skill for every dealership profit center manager. Nowhere in the dealership is this more true than in the Parts Department, where parts managers, more so than other managers, are governed by

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Fees up in 2012 Cook budget

The use tax on cars that will be registered in Cook County increases to 1 percent in the 2012 budget that county commissioners approved Nov. 18, and purchasers in private transactions will for the first time be subject to the tax. The fiscal year begins Dec. 1.

The tax, known as the “Cook County Home Rule Use Tax for Non-retail Transfers of Motor Vehicles,” applies even to vehicles transferred as a gift from a family member or bequeathed by an estate, unless the beneficiary is a surviving spouse.

The previous use tax rate, 0.75 percent, applied only to retail sales of vehicles.

“This is a very difficult economic climate and this required shared sacrifice across the board,” said Cook County Board President Toni Preckwinkle. “This budget is a reflection of how we are changing the financial landscape as well as the culture of Cook County government.”

Preckwinkle sought a variety of fee increases to help offset a quarter-point roll-

back of the county’s sales tax rate on general merchandise, from 8.5 percent to 8.25 percent. The tax on items that must be titled—cars, motorcycles and boats—remains 7.25 percent. In addition, the supplemental 1 percent Cook County use tax is reported on Form ST-1. And cars titled to a Chicago address face an additional 1.25 percent Home Rule tax.

Preckwinkle gained office last year largely on her pledge to roll back the 1 percent sales tax hike on general merchandise that her predecessor, Todd Stroger, passed in 2008. The rate dropped a half-point last year, and the final quarter point will be retired Jan. 1, 2013.

Overall, the new county budget is reduced \$112.5 million, or 3.7 percent, to \$2.94 billion for fiscal 2012.

Preckwinkle projected a looming general fund shortfall between expected revenues and expenses at \$315 million. To close the gap, county officials tried to avoid relying on higher property taxes and one-time fixes.

2011 year-end

BY MICHAEL SILVER & CO.

CERTIFIED PUBLIC ACCOUNTANTS, CATA MEMBER

As 2011 comes to a close, CATA allied member Michael Silver & Co. suggests the following areas to be considered.

Year-end Planning:

1. Building repair or maintenance items such as painting should be performed before year end.

2. If you plan to make any charitable contributions, consider making them in 2011 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.

3. Confirm you have made all required personal and corporate income tax deposits for 2011, 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 your tax advisor if you think you may be affected by the AMT.

4. Consider maximizing your retirement contributions, \$16,500 for a 401(k) plan and \$22,000 if over age 50, and \$49,000 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 have unrealized losses, consider discussing with your tax or investment professional the benefit of selling them by year-end.

Webinars

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the numbers. Knowing how to read, analyze and then create workable business strategies to impact these numbers is an important part of the Parts Manager's job. Join an examination of the Parts section of the financial statement with an eye to both understanding how these numbers are calculated and how they should impact your management priorities. Learning the secrets of the financial statement & other key performance indicators can help Parts Managers become more efficient in how they plan for growth and profit improvement.

Thursday, Dec. 8 at 12 p.m. CST

"How to Rebuild Trust with Your Service Customers" Consumer research surveys have indicated for decades that customers rank the automotive repair shops near the bottom of all their customer service experiences. Fix that!

7. Confirm you have substantiation for your 2011 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.

2. Maximize LIFO deductions. Record all new vehicles that were built and invoiced in 2011 as vehicle purchases in 2011 by keeping the new vehicle purchase journal open the first few days of 2012.

3. Keep your accounts payable journal open to record all 2011 expenses in 2011 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 2011.

5. If any vehicle deal is not a 100% completed deal in 2011 (all paperwork and funding in 2011), then treat it as a 2012 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.

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Listings of items for sale are subject to the approval of the CATA. Candidates for employment must submit a full resume to the Editor.

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

David E. Sloan
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President, Publisher
Editor, Director of Dealer Affairs

checklist for dealers

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ate. 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 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 2012 for 2011 services should be accrued in 2011. Make sure the first payroll in 2012 (even though some portion of the payroll was for 2011 services) is not included on your W-2s for 2011, but will instead be on the W-2s for 2012.

a. All accrued payroll for non-shareholders must be paid no later than 3/15/12 for it to be deductible in 2011.

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%) in order to take a 2011 tax deduction.

c. If you are an S corporation, wages can be accrued for shareholders and their family members; however, in order to take a 2011 tax deduction, you must pay them in 2011 and include the wages on the 2011 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 receivables. 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 2012 for the 2011 fourth quarter and year-end filings. The year-end payroll tax accrual can only include taxes owed on wages actually

paid in 2011.

6. Compute the Dec. 31, 2011, accrued vacation wages payable and adjust the books accordingly. Vacation wages paid Jan. 1-March 15, 2012, are deductible for tax purposes.

7. Review bank reconciliations for checks (including payroll checks over 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 2011 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. 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 other related parties.

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 a backup of each month's accounting records on electronic media. 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 has 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

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Dealer-assisted financing defended

The Federal Trade Commission's third and final Motor Vehicle Dealer Roundtable on Nov. 17 focused on the following areas:

- alleged misrepresentations and other misconduct in consumer leasing transactions;
- consumer and business education;
- alleged abuses by automobile dealers that significantly harm consumers; and
- widespread dealer conduct that currently is lawful but may nevertheless harm consumers.

Although many dealer practices were discussed during the roundtable, abusive spot delivery transactions received the most attention. The FTC is examining these topics to determine what, if any, actions it should initiate to further protect consumers, such as rulemaking, enforcement, and consumer and business education.

As with the two FTC roundtables earlier this year, NADA representatives offered a vigorous defense of

the dealer-assisted financing model and provided extensive information to correct and rebut a series of misstatements, distortions, and attacks against various dealer practices.

Gary Reynolds, chairman of the NADA Regulatory Affairs Committee, said that despite repeated requests for empirical information from the FTC, the consumer group allegations of dealer misconduct were anecdotal and unsupported by current and reliable data demonstrating that they are widespread.

Reynolds said the NADA will remain actively engaged in this matter and will continue to work with the FTC to promote a better understanding of the extraordinary value and benefits that dealer-assisted financing provides to millions of consumers each year.

The NADA also will continue to stress to its members the need to keep current with the full range of federal and state legal requirements governing their operations.

Year-end

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for fulltime 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, for a vehicle valued at \$25,000, the daily inclusion is \$6. 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 a demo, 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 also must be included on 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.

5. Remember that amounts included in income should be reduced by any payroll deductions made during year for personal use of company vehicles.

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 2011 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 2012 election forms before the first 2012 payroll. Remember that stockholders owning more than 2 percent in S corporations (LLCs, etc.) are not eligible to participate.

3. Beginning in 2012 you will be required on your Federal income tax return to report your sales paid to you by credit or debit cards and from online payments as a separate line item. The credit card companies will be required to send you a Form 1099K with the gross sales data. You should consider how to adjust your accounting systems and/or practices in order to separately track this data and reconcile sales amounts reported on the Form 1099Ks you receive.

4. Beginning in 2012, if you issued more than 250 W-2s in 2011, you be required to report the cost of each employee's health insurance on their 2012 W-2.

In Memoriam

William E. Cook, 92, whose Buick dealership stood in Arlington Heights for 38 years, died Nov. 15.

He operated Bill Cook Buick, and later added Mazda, from 1960 to 1998. Mr. Cook also served as a director of the Chicago Automobile Trade Association from 1971 to 1977.

He is survived by sons William, Michael and Peter; daughter Susan; 10 grandchildren and eight great-grandchildren. Memorials appreciated to the Hospice of Northeastern Illinois, in Barrington at (847) 381-5599.



Happy Thanksgiving!

The CATA offices will be closed Nov. 24-25 to mark the holiday. Offices reopen Nov. 28.