Volume 106, No. 12 **June 29, 2009**

Mize elected CATA chairman; Roesch newest board member

Kevin Mize's fellow directors of the Chicago Automobile Trade Association voted him chairman of the board for the next 12 months, when the directors met June 16 for their monthly meeting.

The new board chairman succeeds John Phelan, who becomes chairman of the 2010 Chicago Auto Show. Mize will act as the show's co-chairman.

Mize, principal of O'Hare Honda and O'Hare Hyundai, both in Des Plaines, leads a board of 18 dealers. Other board officers include Vice Chairman Steve Foley Jr. (Steve Foley Cadillac and Rolls-Royce, and Bentley Northbrook); Treasurer Mike Ettleson (Ettleson Cadillac-Buick-Pontiac-GMC, Hodgkins; and Ettleson Hyundai, Countryside); and Secretary Kurt Schiele (Elmhurst BMW, Elmhurst Jaguar, Elmhurst Toyota-Scion). Jerry Cizek is association president.

In board of directors elections in early June, five incumbents and newcomer Dan Roesch (Larry Roesch Chrysler-Jeep-Dodge, Elmhurst) won three-year board terms that began this month.

Kevin Mize

John Phelan

Re-elected directors include Mary Fran Dolan (Freeway Ford Truck Sales, Lyons), Desmond Roberts (Advantage Chevrolet in Bolingbrook, Advantage Chevrolet in Hodgkins, and Advantage Chrysler-Jeep-Dodge, Des Plaines); Monty Scher (Rogers Auto Group, Chicago); Schiele; and John Webb (Packey Webb Ford, Downers Grove).

Used-car Outlook is online

The latest Chicago Auto Outlook publication examines the area's used-vehicle sales in 2009's first four months. They're down against 2008 numbers, but not as down as new-vehicle sales in the same periods.

The newsletter no longer is printed and mailed, but it can be downloaded from http://cata.drivechicago.com. On the tan bar across the top of the screen, click on Publications, then Chicago Auto Outlook.

Obama signs 'clunkers' bill; $3,500 or $4,500 for eligible trade-ins July 1-Nov. 1

President Obama on June 24 signed into law legislation that includes the so-called "cash-for-clunkers" program, which provides up to $4,500 for consumers who trade-in older vehicles for a new fuel-efficient vehicle.

The Consumer Assistance to Recycle and Save (CARS) Act of 2009 is for eligible trade-ins for new vehicles purchased or leased until Nov. 1 or until the $1 billion appropriated for the program is exhausted.

But the U.S. Transportation Department has until late July to iron out several details in the act, and the Illinois Revenue Department has not ruled whether sales tax would

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Minimum wage hits $8/hr. July 1

Illinois employers are reminded that the state's hourly minimum wage increases to $8 effective July 1. The rate will climb another 25 cents on that date in 2010.

New employees can be paid $7.50 an hour during their first 90 days with a company.

The federal minimum wage, which Indiana businesses follow, increases July 24 to $7.25 an hour.

Senate considers help for dealers

The Senate has introduced a companion bill to a House measure that would restore the state franchise rights of GM and Chrysler dealers to what existed before each company's bankruptcy.

Senate Bill 1304 was read twice when it was introduced June 18, then referred to the Senate Judiciary Committee. It is sponsored by Sen. Chuck Grassley (R-Iowa) and has four co-sponsors.

House Resolution 2743, which shares the same short title—the Automobile Dealer Economic Rights Restoration Act of 2009—had 189 co-sponsors on June 25, but it had not moved out of a committee since shortly after its June 8 introduction.

Rep. Daniel Maffei (D-New York), who introduced the House bill, said the automakers are buoyed by taxpayer dollars and should negotiate with dealers "in a way that will help to find a soft landing for the workers and communities" of rejected dealerships.

Site helps displaced employees

To help employees of dealerships rejected in Chrysler's bankruptcy process, Careerbuilder.com launched a job posting Web site to connect candidates and new employers.

The site, www.cjddealerjobs.com, lists jobs that are available at Chrysler dealerships nationwide to the extent such information is provided to the site. There also is a resource section to provide "how-to" tips on matters like résumé building and job interview techniques.

Dealers are encouraged to alert displaced workers about the new site.

CATA office closed July 3

The Chicago Automobile Trade Association will mark the Independence Day holiday on July 3. In a poll, most dealers indicated they would close their stores July 4 and maintain regular hours July 3 and July 6.

ST-556 sales tax rate errors seen

Illinois Revenue Department auditors said they are seeing more errors in sales tax calculated by dealerships that sell to customers who live in another Illinois county.

As a reminder, vehicle sales tax is due at the rate of the county in which the dealership is located, not the customer.

The only time a customer can be charged less that the rate preprinted on the revenue department's Form ST-556 is when the customer is not an Illinois resident. In that case, sales tax is collected at various rates from customers in eight states with which Illinois does not have a reciprocal tax exemption agreement; tax is not collected from residents of 41 other states.

On the flip side, an Illinoisan would pay more than the sales tax rate of his home county if he shops in a county with a higher tax rate. And if the customer lives in a county or city in Illinois where the sales tax rate is greater than in the dealership's, then the higher rate should be collected and submitted to Springfield.

Dealerships that must collect a Use Tax report that fee on a separate line and do not include it in the tax rate.

Higher Ill. driver's fees coming?

Illinois lawmakers were expected to resume deliberations June 29 on a state budget for the fiscal year that begins July 1.

Gov. Pat Quinn proposed a budget that includes increasing vehicle title fees, adding $20 to the cost of a basic license plate, and doubling the $10 cost of a four-year driver's license.

The higher fees on motorists would fund $18.6 billion in transportation projects, including road repair and mass transit, and 10 percent of the new income-tax revenue Quinn seeks would pay for school construction and unspecified "economic development" projects.

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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 http://cata.drivechicago.com.

Jerry H. Cizek III — **President, Publisher**
Erik K. Higgins — **Editor, Director of Dealer Affairs**

Legislative changes, loss of franchises may affect tax benefits sooner

During times of inflation, the last-in first-out (LIFO) method of valuing inventory generally results in a lower value of inventory than other methods. Dealers using the LIFO method are able to lower their income tax for a period of time, which is like having use of the money interest-free.

It is not a permanent benefit, however, as LIFO benefits are lost when the business is sold or the entire inventory is otherwise liquidated. Eventually, but maybe not for many years, the benefit will be lost and the taxes saved must be paid back.

The future of LIFO

The availability of the LIFO benefit may end sooner than expected. As the federal government looks for ways to reduce the budget deficit, discontinuing the LIFO method might be a potential source of tax revenue.

It has even been proposed that taxpayers currently using the LIFO method be required to recapture their LIFO inventory benefits in the first taxable year beginning after Dec. 31, 2011. The increase in gross income attributable to recapturing the LIFO reserve would be spread over eight years.

While the future of LIFO is uncertain, dealers should remain informed about potential legislative and regulatory changes and the impact on their businesses.

Various trade and professional organizations are lobbying to preserve the LIFO method. The LIFO Coalition is concerned that representatives in Washington are not well-informed about the LIFO method of accounting and the effect discontinuing the method would have on taxpayers, including dealers.

Dealers nationwide should consider sending a letter to their U.S. senator to share the impact a loss of the LIFO method would have on their business.

Closing franchises and the LIFO effect

Dealers across the country are facing the reality of losing their LIFO benefits as franchises are terminated and inventories are eliminated. If a dealer has other franchises, he or she might be able to combine the inventories to limit the tax effect.

Another option may be to terminate using the LIFO method and spread the tax effect over four years if a dealer can manage to continue the business — for instance, as a used-car operation.

The entire amount of a dealer's LIFO reserve must be reported as income for the current tax year if the dealer loses all of his or her franchises and does not remain in business.

Unfortunately, franchise terminations happen quickly, leaving little time to plan for the many technical aspects of tax law that must be considered. Dealers also should consider accumulating cash now to fund any future tax liability.

Dealers should consult their tax professionals to determine the potential impact LIFO termination would have on their particular circumstances. Dealers required to begin recapturing their LIFO inventory benefits in the coming years should consider the various options available to help soften the blow.

Clunkers

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be due on the $3,500 or $4,500 vouchers. Dealers are cautioned that any "clunkers" transactions completed before the DOT publishes the program's rules may not qualify for reimbursement.

The CATA will relay the evolving news as it develops over the next several weeks. When enough information is available, the National Automobile Dealers Association will conduct a series of Webinars to educate dealers on how the program works and how to comply with its rules.

The National Highway Traffic Safety Administration created an official, government-run Web site, www.CARS.gov, with full details about the CARS program. Dealers should avoid other unauthorized sites that reportedly have surfaced, trying to obtain dealership information to register them for the program.

Under the program, cars rated at 18 miles per gallon or lower in combined city and highway driving could be turned in for cash vouchers good toward the purchase or lease of a new car. New cars rated at least 4 mpg higher would earn a $3,500 voucher, while a 10 mpg improvement would earn a $4,500 voucher.

Trucks, including vans and most SUVs, are eligible, but the new vehicle must average at least 18 mpg and get at least 2 mpg more than the old vehicle to qualify for a $3,500 voucher. A $4,500 voucher goes to a new truck getting 5 mpg more.

Trade-ins must be driveable, not more than 25 model-years older than the new car, and registered and insured by the owner for at least the past 12 months.

For the clunkers, the legislation is a death sentence. Participating dealers must certify that they transfer clunkers to an entity that will crush or shred the vehicles, to keep them off the streets.

Dealers must register to participate in the program. The procedure to register is not finalized.

"Because a customer's decision to purchase usually comes down to the monthly payment," said NADA Chairman John McEleney, "a $3,500 credit translates to $75 to $100 a month in savings, which is very significant."

New tire fuel efficiency ratings proposed by Transportation Dept.

The U.S. Department of Transportation has proposed a new "consumer-friendly" replacement tire label which for the first time would include information about the tire's impact on fuel economy and carbon dioxide emissions.

Tires with lower rolling resistance (and proper inflation pressures) can contribute to better fuel economy.

This technical advantage has been opposed consistently by automaker designers who favor larger, heavier tires with lower aspect ratios, which increase a tire's rolling resistance.

"Today's proposal takes the guess work out of buying the best tires for your vehicle," said U.S. Transportation Secretary Ray LaHood. "Our proposal would let consumers look at a single label and compare a tire's overall performance as it relates to fuel economy, safety and durability."

The National Highway Traffice Safety Administration already offers tire safety information on the Web. NHTSA officials said they hope the proposed rule will increase fuel economy, safety, and tire durability.

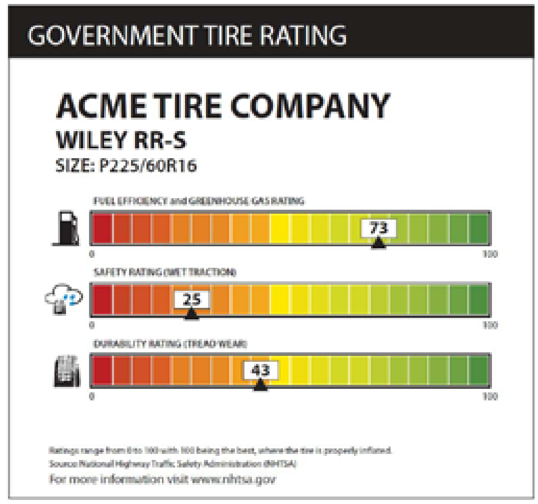
"At the very least," said LaHood, "(it) should enable consumers to make more informed decisions about these variables."

In addition to the new fuel efficiency ratings, the NHTSA proposal would provide consumers with two vital tire performance indicators: wet weather traction and tread wear. All three ratings would be prominently displayed on a removable label attached to the replacement tire at the point of sale.

The three-tiered ratings also would appear on safercar.gov, to help consumers in compare ratings as they shop for new tires.

LaHood noted that, as people load their vehicles for the summer driving season, "please remember that the best tires in the world will not keep drivers and passengers safe if they are underinflated or if vehicles are overloaded."

The Energy Independence and Security Act of 2007 included a requirement that NHTSA develop a national tire fuel efficiency consumer information program to educate consumers about the effect of tires on automobile fuel efficiency, safety, and durability.



Proposed rating system label

In the proposed rule, the NHTSA writes: "Consumers currently have little, if any, convenient way of determining how tire choices can affect vehicle fuel economy. The collective effects of the choices consumers make when they buy tires are matters of public interest. The 240 million passenger cars and light trucks in the United States consume about 135 billion gallons of motor fuel annually."

The NHTSA estimates — assuming that between 2 percent and 10 percent of targeted tires are improved and that the average reduction in rolling resistance among improved tires is from 5 percent to 10 percent — annual savings of 7.9 million to 78 million gallons of fuel, and emissions reduction of 76,000 to 757,000 metric tons of CO^{2} annually.

The values of the fuel savings at a 3 percent discount rate are from $22 million to $220 million, and from $20 million to $203 million at a 7 percent discount rate.

NADA launches 'Buy Now' media campaign

Consumers this summer are hearing about more good reasons to "buy now" as phase two of the National Automobile Dealers Association's media campaign kicks off the sales season.

The new television, radio, print and online ad campaign, "No Kidding," touts the federal sales-tax deduction through Dec. 31 and the potential for lowering monthly payments thanks to the great deals available.

With children as the ads' "spokespersons," the messages are sure-fire attention grabbers. Messages include:

- great deals and incentives on vehicles
- vehicle quality and fuel efficiency have never been better
- deductible sales tax
- available credit

The current message of the CATA's ad campaign also emphasizes a buy-now theme, following one that stressed consumer credit is available.

Marketplace

GM/GSM Self-starter, motivator, 20 years' experience. Manage all departments to ensure common focus. Took dealership from last place in CSI to 5-Star status. Increased Service & Parts departments' gross profit by 36%, decreased parts obsolescence from 53% of total inventory to less than 5%. Daniel Praljak, 847-347-4306.