



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. The fee includes both PowerPoint slides and audio; a telephone connection is not needed.

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. 2 at 12 p.m. CST

“How to save Big Bucks in 3 specific areas, and how to change your purchasing culture in all expense categories” Get a road map to savings in these three important expense categories, and get a basis for changing the purchasing culture in your dealership so that

SEE **WEBINARS**, PAGE 4

CATA exploring more benefits for association members

The Chicago Automobile Trade Association’s board of directors has formed a Member Benefits Committee whose sole purpose is to identify potential partners among allied members that will bring added benefit to CATA dealer members.

This committee welcomes from qualified CATA Allied Members any and all proposals for review. Proposals

must provide a substantial benefit to CATA membership above and beyond existing offerings. Remuneration to the CATA may also part of the agreement.

Initial proposals should include detailed information about the company or organization; description of the benefit or service to be

SEE **BENEFITS**, PAGE 4

Advance Chicago Auto Show tickets on sale now

Members of the CATA can buy general admission tickets to the 2011 Chicago Auto Show at a 45 percent savings off box office prices. The tickets promote goodwill with customers and even can entice prospects to close a deal. See the order form under Latest News on the home page of www.cata.info.

Latest ‘Outlook’ posted online

The Chicago Auto Outlook publication examining the area’s new- and used-vehicle sales in October can be viewed on the CATA’s Web site, www.cata.info.

On the tan bar across the top of the home page, click on Publications, then follow the drop-down menu to Chicago Auto Outlook, and click on Current Edition.

The following checklist of financial matters for dealers to consider at year's end was prepared by **Michael Silver & Co.**, a CPA firm and a CATA allied member

1. Keep the accounting records open at the end of December:

- Record December finance chargebacks.
- Maximize LIFO deductions. Record all new vehicles that were built in 2010 as vehicle purchases in 2010 by keeping the new vehicle purchase journal open the first few days of 2011.
- Keep your accounts payable journal open to record all 2010 expenses in 2010 including advertising, interest, utilities, telephone, gasoline, data processing, insurance, etc.
- Adjust your property tax payable account to equal at least the total you actually paid in 2010.
- If any vehicle deal is not a 100% **completed deal** in 2010, then treat it as a 2011 vehicle sale.
- Make sure all miscellaneous inventories are adjusted to actual, including labor inventory, sublet, gas-oil-grease, body shop materials, etc.
- Reconcile, when possible, all balance sheet accounts before closing the year.

2. You must include a reasonable estimate of your LIFO adjustment for the year on all versions of your December financial statements—**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.

3. If you are not on LIFO for used vehicles, adjust all of your used vehicles to current wholesale market value at year-end. The IRS has developed an acceptable "alternative used vehicle LIFO" method similar to the new-vehicle method. On an annual basis, consider used-vehicle LIFO.

4. Compare your actual parts inventory to the accounting parts inventory and make adjustments where appropriate. 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 year-end and an aging of that inventory.

5. If you have any building repair or maintenance items (such as painting, etc.) that needs to be done, try to have these performed by the end of 2010.

6. 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.

7. Carefully review prepaid assets and expense all items in this account that are not valid as prepaid at year end.

8. Review all past due accounts receivables, including em-

ployee receivables. Write off those receivables that are not collectible. If any of these are from former employees, issue them a Form 1099-MISC for the amount written off.

9. 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 state. Before reissuing a check to a vendor, be sure that it has not been paid with a subsequent billing. Be careful when voiding any checks written to the state because some state departments are slow in processing.

10. All payroll tax and sales tax payable accounts must equal the actual amount of the applicable taxes paid in 2011 for the 2010 fourth quarter and year-end filings. The year-end payroll tax accrual can only include taxes owed on wages actually paid in 2010.

11. Confirm you have substantiation for your 2010 meal and entertainment expenses. Travel expenses and the cost of a Holiday party for employees or food ordered in to the dealership should not be included in this amount.

12. Form 8300 must be filed if you receive cash in excess of \$10,000 from a customer. Cash includes certain cashier's checks, money orders, and traveler's 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 2010 so you confirm that this function is being performed.

13. IRS Form 1099-MISC must be issued to all non-employees and businesses that are not incorporated (including LLCs) and received \$600 or more during 2010 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

SEE PAGE 3

2010 year-end

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The CATA Bulletin is distributed via blast e-mail every other Friday except during the Chicago Auto Show, when it is not produced.

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
Erik K. Higgins

President, Publisher
Editor, Director of Dealer Affairs

checklist for dealers

to them on the 1099. Review all of the non-employee activity and determine if they should really be considered employees for payroll tax purposes.

14. All wages and commissions paid in 2011 for 2010 services should be accrued in 2010. Also, make sure the first payroll in 2011 (even though some portion of the payroll was for 2010 services) is not included on your W-2's for 2010, but will instead be on the W-2s for 2011. If you are an S corporation, wages cannot be accrued for shareholders and their family members. In order to take a 2010 deduction, you must pay them in 2010 and include the wages on the 2010 W-2.

15. 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 2010 deduction. Make sure they are reasonable in total. All accrued payroll for non-shareholders must be paid no later than 3/15/10 for it to be deductible in 2010.

16. Accrued interest should be paid before year end on loans from shareholders and other related parties in order for the interest to be deductible in the current year. IRS Form 1099-INT must be issued for the paid interest. Also, Form 1099-MISC must be issued for all rents paid to non-corporate taxpayers during the year.

17. Review procedures for the use of demonstrators to ensure you comply with the current IRS regulations.

- All individuals who are provided a demo to drive should sign a written demonstrator policy agreement.

- There are two IRS approved methods that can be used for full-time salespeople. One method provides them tax-free use of the demo. This method is fairly complicated and restrictive. The other method, used by most dealers, is the partial exclusion method. Under it, an amount is added to wages on a monthly basis. The IRS has provided daily income amounts based on the value of the vehicle. Under this method, employees are not required to maintain logs.

- For employees who are not a fulltime salesperson 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 vs. personal use of the vehicle.

- The amount included in income is to be added to each employee's W-2. Non-employee family member income amounts must also be included in the employee's W-2. 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.

- Amounts included in income should be reduced by any payroll deductions for personal use of company vehi-

cles.

18. If you or the dealership own stocks that have unrealized losses, discuss with your tax or investment professional the benefit of selling them by the end of the year.

19. If you make gifts to relatives each year for estate tax purposes, the payments must be made by year end.

20. Confirm you have made all required personal and corporate income tax deposits for 2010 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 alternative minimum tax.

21. If you plan to make any charitable contributions, consider making them in 2010 to receive a current-year 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.

22. If the dealership has a section 125 plan (cafeteria plan), make sure eligible employees complete the 2011 election forms before the first 2011 payroll. Remember, stockholders owning more than 2% in S corporations (LLCs, etc) are not eligible to participate.

23. Beginning Jan. 1, 2011, healthcare FSAs (this also applies to Health Savings Accounts – HSAs and Archer Medical Savings Accounts – MSAs) will no longer be permitted to reimburse expenses for over-the-counter (OTC) drugs and medications (other than insulin which remains allowable) unless the purchase was obtained by a prescription from your healthcare provider. Over-the-counter “medical supply” type items will continue to be eligible for reimbursement such as crutches, canes, replacement rubber tips for canes and crutches and similar items.

24. 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.

25. If your retirement plan allows changes throughout the year, maximize your deductible 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). If you have self-employment income, consider establishing a Keogh plan. You have until the due date of your return, including extensions, to fund the contribution.

26. 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.

27. Consider adopting IRS “TRADE Discounts” that deal with factory “interest credits” and “advertising credits.” This procedure will assist in reducing dealership income taxes.

Most dealers expected to pause for holidays

Most area dealers will observe the year-end holidays by closing for business, a recent CATA poll shows. Important, the 701 and 731 unions present in some dealerships no longer recognize New Year's Eve as a holiday.

Sixty-two dealers responded to the survey of their operations in various departments. See results below.

Holiday	Regular hours	Abbreviated day	Closed
Friday, Dec. 24 [<i>Christmas Eve</i>]			
Service Department	12	5	45
Sales Department	25	27	10
Other Departments	11	8	43
Saturday, Dec. 25 [<i>Christmas Day</i>]			
Service Department	0	0	62
Sales Department	0	1	61
Other Departments	0	0	62
Saturday, Jan. 1 [<i>New Year's Day</i>]			
Service Department	0	1	61
Sales Department	2	8	52
Other Departments	0	2	60

Post holiday: Senate to consider repeal of 1099 tax paperwork

Dealers are urged to reach out to both of their U.S. senators and strongly encourage them to vote for two amendments that would eliminate a mandate requiring businesses to file a 1099 tax form after any expenditure of \$600 or greater.

A part of this year's health care reform law, the mandate goes into effect on Jan. 1, 2012, and would create a significant paperwork burden for dealers. The two amendments, offered by Sens. Mike Johanns (R-Neb.) and Max Baucus (D-Mont.), could face a high hurdle, as the Senate's procedures may require a super-majority of 67 votes.

With votes expected in the final days of November, dealers should call Senate offices on Nov. 29. The Senate switchboard can be reached by calling (202) 224-3121.

Democrats and Republicans have been deadlocked in efforts to roll back the expansion of 1099 reporting. But not over whether the new provision should be eliminated — both agreed that it should be (at least in the House; in the Senate, Democrats proposed softening it rather than eliminating it). The argument, rather, was over how to pay for eliminating it.

Baucus said the 1099 form filing has been used by the IRS for decades to better track income. And, in fact, this type of information reporting was proposed by the Bush administration to help better keep track of what businesses spend and earn, which helps better keep track of what they owe in taxes. "But," Baucus said, "it has become clear the new rules went too far."

Benefits

CONTINUED FROM PAGE 1

provided to CATA member dealers; and the financial incentive or discount that will be applied to the services. Proposals will be reviewed by the Member Benefits Committee. Potential vendors may be asked to present to the committee or the full CATA board.

In return, the CATA will provide to accepted vendors promotional consideration that will include mention in the official CATA Bulletin, listing on the CATA Web site and participation at CATA events like the annual Dealer EXPO.

Proposals and questions should be submitted to Mark Bilek at the CATA via mbilek@drivechicago.com.

Webinars

CONTINUED FROM PAGE 1

this type of savings can be achieved in many other expense categories as well. Get the specifics on how you are over-spending on credit cards, telcom and credit reports, and learn the basics of process, training and compliance and how all relate to negotiating for the best competitive price.

Thursday, Dec. 9 at 12 p.m. CST

"What motivates online car shoppers" Learn how to differentiate your inventory and dealership online to create value in the minds of consumers; as well as best practices for taking photos, writing seller's comments, using video and customer testimonials, and pricing competitively. This workshop will ultimately provide insight into the online messages that motivate consumers to offline action. Seminar led by one of the industry's top experts, Howard Polirer of AutoTrader.com.

Thursday, Dec. 16 at 12 p.m. CST

"How to stop losing service work due to price comparisons" Service managers say overcoming price pressure, especially from aftermarket service providers, is their No. 1 problem. And as long as dealership service managers and advisers continue to fail at closing sales before customers drive down the street, the aftermarket will continue to win at the pricing game. Learn to sell value over cut-rate competition, using a value-selling process that works and results in more service customers realizing the true value of dealership service department repairs.