

# THE WANADA BULLETIN

NEWS AND INFORMATION FOR AND ABOUT FRANCHISED NEW CAR DEALERS IN THE WASHINGTON AREA

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**Trump's initial tax plan eliminates estate tax, leaves out BAT**

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## NY attorney general settles with dealers selling cars with open recalls



Airbag problems were among the unrepaired safety problems that caused the New York attorney general to settle with dealers in the state. Photo by Adam Bartlett.

New York attorney general Eric Schneiderman reached settlements with 104 auto dealers, including several franchised dealers, selling vehicles under open recall. The recalls were for unrepaired safety problems such as unintended acceleration, airbag problems, vehicle fires and steering and brake loss. WANADA dealers should know about such actions because something similar could happen in the Washington area through the attorneys general in Maryland and Virginia.

The settlement requires the 104 dealers to provide consumers with advance notice of any existing and unrepaired recall. Additional settlement guidelines for dealers are as follows:

- Dealers that advertise used vehicles online must include information that enables consumers to check the recall status of advertised vehicles;
- Dealers that advertise in print or other media must also disclose in the ad that the vehicle is subject to a safety recall;
- Dealers must place a decal notice in the window of used cars that includes information allowing consumers to check the recall status of the vehicles, including the SaferCar.gov website and mobile application operated by NHTSA;
- Two days before any sale, dealers must provide consumers with a copy of the NHTSA recall status report for a vehicle with an unrepaired safety recall, and obtain a written acknowledgement from the customer;
- Dealers must send notices to customers who bought vehicles from January 2016 to the present with unrepaired safety recalls that are still unrepaired. Franchised dealers must also cover up to five days of a loaner car for consumers if their vehicle requires repairs that will take longer than one day;
- Each of the 104 dealers in the settlement will also pay a fine of \$1,000 to New York.

Under federal law, franchised dealers who sell used cars from other makes are required to either have a manufacturer-authorized repair person on their premises, or to transport the vehicle to a dealer of that make to have the recall work done.

## Trump's initial tax plan eliminates estate tax, leaves out BAT

Trump's first foray into tax policy is more of a one-page outline than a plan. But it's a useful starting point, with a couple of points of particular interest to dealers.

First, Trump proposes eliminating the estate tax. There are many Republicans in Congress who would be happy to let it expire. On the other hand, eliminating that tax would increase the deficit, as would most other measures in Trump's tax plan. And some Republicans who would vote on the tax remain deficit hawks.

Second, Trump's plan makes no mention of the border adjustment tax (BAT) that has been strongly opposed by dealers and others in the auto industry and other retail sectors. The BAT was House Speaker Paul Ryan's way of paying for the corporate tax cut that is at the center of Trump's plan. But with the auto industry so globally interconnected, AIADA has estimated that a 20 percent BAT would add an average of \$1,700 to the retail price of each new vehicle.

Trump's plan would cut the top corporate tax rate by more than half, to 15 percent. General Motors and Ford were among those praising that part of the plan. Tax cuts abound in the initial outline, with the hard work of deciding how to pay for them still to be done. Treasury Secretary Steven Mnuchin said that the growth resulting from the tax cuts would offset the drop in federal revenue. Critics are skeptical that there would be enough income to make up for the loss and say the deficit would balloon even further. Suffice it to say that the jury is still out, as many details remain to be filled in.

As for economic growth, the Commerce Department last week announced unexpectedly low first-quarter growth of 0.7 percent. Although growth is expected to pick up in the second quarter, the first-quarter figure still shows that Trump's targeted 3 percent annual growth is ambitious. Consumer optimism is high, polls say, but the report shows that consumers have been reluctant to spend.

One area that the Commerce Department noted has dropped is car sales. But there are industry-specific reasons for that, such as the end of pent-up demand and an expected sales plateau after several years of growth.



There are several parts helpful to dealers in Trump's tax plan. Photo by 401calculator.org.

## Cutting federal tax credits would likely kill EV market, Edmunds says

With the White House not expected to extend electric vehicle tax credits and Congress unwilling to fight for them, EV sales will probably tank, says a recent report by Edmunds.com.



The introduction of the Chevrolet Bolt last December means General Motors is expected to use up its EV tax credits in late 2018 or 2019.

Buyers of qualified plug-in electric vehicles have been eligible for a \$7,500 tax credit since 2010. The first 200,000 buyers for each automaker can get the credit. No company has used up its credits so far, though General Motors is expected to run out (for its Bolt and Volt) in late 2018 or 2019, the report says.

“Without these credits, this market is likely to crash,” the report says. It uses Georgia as an example. The state offered a \$5,000 tax credit for zero-emission vehicles in addition to the federal credit. But when the state credit was eliminated in July 2015, Georgia went from providing 17 percent of US EV sales to 2 percent.

The Georgia data, with Edmunds’ online sales data, shows that EV buyers are more motivated by discounts and manufacturer incentives than by environmental motives. But, says Edmunds, there are two markets for EV sales – high-end and mainstream. The high end, not surprisingly, will weather the loss of subsidies better.

Plug-in vehicle buyers, a separate market, depend more on subsidies. Overall, the same obstacles that have existed for years still remain before EVs can achieve higher sales: lack of infrastructure and insufficiently long-range batteries.

## But AAA survey finds many consumers want to buy EVs

Despite lower gas prices, a new American Automobile Association (AAA) study shows that consumer interest in electric vehicles remains high, with the survey showing that more than 30 million Americans are likely to buy an EV for their next car. With rising sales, longer ranges and lower costs, AAA predicts a strong future for EVs.

“With their lower ownership cost and compatibility with emerging autonomous technologies, electric vehicles are poised to be a key vehicle of the future,” says Greg Brannon, AAA’s director of automotive engineering.

The number of Americans interested in an EV approaches the number planning to buy a pickup, with the survey showing that 15 percent are likely to buy an EV for their next car. The number is even higher for millennials, at nearly 20 percent.

Concern for the environment remains the primary motivating factor for EV shoppers, but AAA also found that lower long-term costs, desire for the latest technology and access to carpool lanes are all influential. With their extended range and flexibility, hybrids are also desirable, with nearly one-third of consumers likely to buy them.

## Allstate/USA Today poll says small business confidence is way up

Sixty-four percent of businesses with 100 or fewer employees say their companies are doing well, up from 61 percent in late 2015, according to an Allstate/USA Today survey. And they're backing up their optimism with more hiring and spending.

An even higher number, 72 percent, expect to do well in the next year, up from 64 percent in late 2015. Businesses in Washington had an optimism score of 60 out of 100, solidly in the middle. The highest scores were in Nashville and Cleveland (63) and the lowest, Los Angeles, 56.

The promise of lower taxes and fewer regulations from President Trump, improved sales and the end of the last vestiges of the Great Recession were some of the reasons *USA Today* cited for the greater optimism. And business loans are easier to get.

The optimism has led to more hiring and spending. Thirty-four percent of those surveyed said they had added one or more new employees in the past three months, up from 22 percent in late 2015. And a March survey by the National Federation of Independent Business said that 64 percent of small businesses had made a capital purchase in the previous six months, matching the peaks of 2005 and 2013.

## A contest to reward MD dealers for Chesapeake Bay license plate sales

Maryland dealerships are participating in a new contest to see who can send the most customers off their lots with Maryland Chesapeake Bay license plates. All contest entrants will be promoted as "Dealers for the Bay," and the prizes for winners will be marketed through an ad in relevant newspapers, a press release about the contest and the Chesapeake Bay Trust's 50,000 e-news and 12,000 social media contacts. The Chesapeake Bay Trust is a Kindred-line member of WANADA.

Dealerships that sell the highest number of bay plates, the highest percentage of vehicles with bay plates and the most improved in both categories during April, May and June 2017 will be named as winners. Any dealership has a great chance of winning in any of the categories: Public opinion polling shows that 32 percent of people in the Washington area are very likely to buy a bay plate if they are asked at the point of sale. The numbers increase when customers are told where the money goes and learn about the "plate perks" program, in which they receive discounts that ultimately pay for the purchase of the plate, preferred parking and other perks for having a bay plate.

Funds are distributed by the Chesapeake Bay Trust through on-the-ground grants to local organizations in every county in Maryland (and with partner dollars to DC and many localities in Virginia). Grants are awarded to teachers to get their kids outside on field trips, to faith-based



Dealers who sell the most bay plates will be mentioned in an ad and a press release, and on social media.

organizations to install gardens, to Boy Scout and Girl Scout troops to plant trees, and to volunteers to monitor and clean up streams to benefit both local communities and the Bay. For every 20 bay plates sold, 10 students can go on a field trip and 7 trees can be planted. For a full list of grants in each community, visit <https://cbtrust.org/annual-report/>.

To sign up for the contest, contact Kelly Swartout at [kswartout@cbtrust.org](mailto:kswartout@cbtrust.org) or (410) 974-2941 x 107. The Trust will send contest materials (posters, tabletop signage, brochures) for customers, and it can tell dealers their baseline bay plate sales for last year.

### Staying Ahead...

Think like a millionaire: Hustle like you're broke...

--Unknown

