

THE WANADA BULLETIN

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

WANADA Bulletin # 2-05

January 12, 2005

WANADA Tag & Title Seminar Prompts DC DMV to Reassess Rule Change *Jan. 17 Implementation Set Aside*

This year's regional Tag & Title Seminar held in conjunction with The Washington Auto Show not only provided valuable information and tips on administrative matters from Maryland, Virginia and DC motor vehicle departments, but also was instrumental in focusing on a proposed DC rule that would have been highly burdensome to vehicle title processing.

Speaking at the seminar, DC DMV Director Anne Witt announced that her agency would begin implementing a new policy on Jan. 17, 2005 that would use the NADA Used Car Guide – rather than the actual sales price – as a means of determining “fair market value” for purposes of DC title tax. The policy change was in response to a problem caused by some unscrupulous DC DMV employees in cahoots with dishonest used car sellers bent on fraudulently undervaluing the true market value of vehicles bought and sold in the District. According to Witt, the problem cost the city an estimated \$13 million last year. The proposed rulemaking published in the DC Register on Christmas Eve was not known to area dealers prior to the WANADA Tag & Title Seminar on December 29.

The reaction to this announcement by title clerks from franchised dealerships around the Beltway who attended the Tag & Title Seminar was *loud and clear*: This new rule would be highly burdensome and costly, requiring extensive



DC DMV Director Anne Witt (left) speaking at WANADA's recent Tag & Title Seminar. Also on the panel were, from left, John Loving, CVR; Ronda Witt, MD MVA; and Phillip Vasquez, VA DMV.

procedural changes and a reprogramming of dealership computers.

Based on this strong reaction, Witt and her senior staff agreed to meet with WANADA officials last Friday to discuss the proposed rule.

WANADA Chairman Dennis Rippeon, along with

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FTC Issues Final Rule on Disposal of Customer Files

NADA has notified its dealer membership of the new FTC law that is now in effect, known as the “Disposal Rule,” which mandates certain new requirements for handling the privacy of consumer records under the Fair and Accurate Credit Transactions Act (FACT). The law takes effect **June 1, 2005**

NADA says the new rule requires dealers to properly dispose of consumer records derived from individual reports. “This should *not* impose a significant new burden on dealers that already have instituted procedures to dispose of customer information properly as part of their information security programs required by the FTC Safeguards Rule,” NADA said.

Enclosed with this WANADA Bulletin is a summary of the new requirements prepared by NADA. The summary also will be posted at www.nada.org/factact (requires member number).

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IMPORTANT NEW YEAR TAX AND REGULATORY UPDATES**FCC Requires Monthly Download of National DNC Registry**

NADA reminds dealers that, effective January 1, 2005, sellers must use a version of the National Do-Not-Call Registry that is no more than 31 days old at the time they initiate a telephone solicitation. Formerly, sellers had to use a version that was no more than three months old.

NADA successfully persuaded the Federal Communications Commission and the Federal Trade Commission (which jointly enforce the National DNC rules) to provide an alternative to the burdensome download requirement. The agencies clarified that sellers who register and pay the an-

nual fee to use the registry do not have to conduct an initial or subsequent download of the database "if they use only the single number lookup feature to screen their outgoing telephone solicitations." Dealerships that use this feature must maintain and record a list of telephone numbers obtained using the single number lookup feature and document the process.

The FCC Order announcing the change is available at: http://hraunfoss.fcc.gov/edocs_public/attachmatch/FCC-04-204A1.pdf.

Cash Reporting Notices for '04 Transactions Due Jan. 31

WANADA would like to remind dealers that the IRS has been strictly enforcing the filing of Form 8300 cash reports on the new "IRS Form 8300/Fin/CEN Form 8300," and is conducting audits on dealers for compliance with Form 8300 requirements. A failure to report cash transactions over \$10,000 could result in a minimum \$25,000 fine!

Under IRS regulations, dealers must notify each person identified for transactions of \$10,000 or more during 2004. The FinCEN Form 8300 general instructions and the IRS definition of "cash" are available on the IRS website at <http://www.irs.gov/publications/p1544/ar02.html>.

Such notices must be in writing, furnished to the purchaser no later than Jan. 31, 2005.

The notification statement must include the name and address of the dealership, the total amount of cash reported to the IRS during 2004 for that person, and a statement that the information was reported to the IRS. The statement should go to the person's last known address. Dealers are encouraged to review 2004 transactions carefully to be certain that all affected customers are notified in writing and to record a copy of the notice furnished to the customer.

To soften the surprise that some customers may get from receiving this notice, it is recommended that dealerships include a short letter along the following lines:

Dear (customer name):

We are required by the Internal Revenue Service to report transactions involving more than \$10,000 in cash and "cash equivalent" under the provisions of 26 U.S.C 60501. (Name of dealership) has filed a Form 8300 with the IRS on (month, day, year) indicating that you provided us (\$ amount) in connection with the purchase of your (year, make, model). We wanted you to know that we have complied with this federal requirement. Again, thank you for your patronage.

*Sincerely yours,
(dealership name)*

The exact wording of the customer notification should be reviewed by the dealer's legal

Records Review & Retention

Another important New Year issue for dealerships is the review of old paperwork to determine what must be retained and what can be disposed of, as well as, a careful review of local, state and federal guidelines prior to disposing of any paperwork.

To assist in sorting through paperwork, NADA offers *A Dealer Guide to Federal Records Retention*, which outlines federal retention requirements for seven major categories of records. To order a copy, go to NADA's website at nada.org, or contact NADA Management Education at (703) 821-7227.

2005 Tax Change Highlights

Here are the highlights of rates on primary federal taxes that affect all businesses, effective January 1, 2005.



- **Social Security taxable wage base limit (FICA)** is \$90,000, up from \$87,900 in 2004. The maximum amount payable increases to \$5,580, from \$5,550 in 2004. The FICA tax rate, a combination of Social Security (6.2%) and Medicare (1.45%) rates, remains at 7.65%, and there continues to be no limit on the amount of wages subject to Medicare payroll tax.
- **Federal Unemployment Tax Act (FUTA)** tax rate remains at 0.8% of the first \$7,000 paid to each employee as wages during the year.
- **Business mileage rate** is 40.5 cents a mile for all business miles driven, up from 37.5 cents a mile in 2004. The rate for medical and moving deductions increases to 15 cents a mile, up from 14 cents a mile in 2004.
- **Federal minimum wage** is \$5.15; minimum cash wage for tipped employee is \$2.13; and youth sub-minimum wage is \$4.25.
- **401 (k) Pre-Tax Contribution Limit:** The maximum amount your employees can defer in 2005 is \$14,000, up from \$13,000 in 2004. In addition, any employee who will be age 50 or older as of December 31, 2005 may contribute an additional \$4,000 for 2005 as a "catch-up" contributor.

DC DMV Revisits Title Proposal

(Continued from page 1)

CEO Gerard Murphy and a room full of area dealer representatives, argued convincingly that the proposed rule would be a mammoth and unnecessary change for franchised new car dealers, who consistently report the proper vehicle price in the titling process.

"There's a rebuttable presumption that the fair market value of a vehicle is the sales price established by the buyer and seller," Murphy explained. "This rule change is directed at franchised dealers because they are not part of DC DMV's problem," he said. "I think we impressed upon DMV that they shouldn't burn down the house to kill the termites."

As a result of the meeting, the **DC DMV agreed to reevaluate the proposed rule and put off the original January effective date.** The agency has gone back to the drawing board to check the policies of other motor vehicle agencies on this issue and to seek a solution to the problem that is more equitable for franchised dealers. The WANADA Bulletin will keep dealers posted on further developments on this issue.

How to Assist Tsunami Victims

Both NADA and AIADA are encouraging dealers to offer assistance to victims of the S.E. Asian tsunami. A comprehensive list of major agencies assisting in the relief effort is available at United States Agency for International Development (USAID) online at http://www.usaid.gov/locations/asia_near_east/tsunami/ngolist.html.

Extensive Workshop Schedule Set For NADA Convention:

NADA will offer 49 workshops at its 2005 Convention & Exposition in New Orleans. These sessions are designed to give new car dealer executives the information and pointers they need to enhance business operations in each department. The workshop program will consist of six study tracks:

- Strategic Business Management and Succession Planning;
- Business Development - Finding and Keeping

Your Customers;

- Vehicle Sales - Performance and Profitability;
- Human Resource Management and Development;
- Fixed Operations - The Advantages of Unity;
- Technology - Combining Clicks and Bricks.

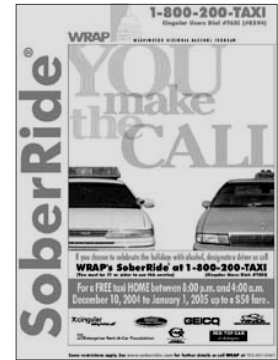
To access additional information about the convention, including the workshop schedule, visit www.nada.org/convention.

FOOTNOTES:

2,235 Revelers Take Advantage of Holiday SoberRides Over 29,000 Rides Offered Since Program's Inception in 1993!

Thanks again to heavy media coverage, the Washington Regional Alcohol Program's Holiday SoberRide Campaign recorded another huge success. On New Year's Eve alone, 602 people in the Washington Metropolitan Area used the free cab ride service rather than possibly driving home drunk. For the entire holiday campaign, December 10 to January 2, SoberRide provided 2,723 free cab rides to local residents age 21 and older, a 22-percent increase in ridership from the 2003 holiday SoberRide campaign. This raised the total number of SoberRides provided since 1993 to 29,416.

SoberRide was offered in: the District of Columbia; throughout the Maryland counties of Montgomery and Prince George's; and throughout the Northern Virginia counties of Arlington, Fairfax, (eastern) Loudoun and Prince William. Sponsors of the 2004 Holiday SoberRide campaign include WANADA, Anheuser-Busch, Cingular, Enterprise Rent-A-Car, GEICO, Giant Food Inc., and Red Top Cab. For more information, visit WRAP's website at www.wrap.org.



Tri-Dealer Association Reception At NADA

Hosted by MNCTDA/VADA /WANADA
Saturday, January 29, 6-8 p.m.

PAT O's ON THE RIVER

That's right. We're returning to Pat O'Brien's On The River for our 2005 NADA Convention Reception. If you were with us in 2002, you remember Pat O's for its one of a kind New Orleans's atmosphere reminiscent of the world famous original location in the French Quarter. And, of course, the beverage menu is legendary, to include the ever popular "Hurricane" cocktail. Don't miss this fabulous event!

All dealer reps and friends from the Washington Area, Maryland and Virginia are cordially invited.

This event is generously sponsored by American Fidelity Assurance Company, Enterprise Rent-A-Car, Rifkin, Levitan, Livingston and Silver and SunTrust Bank.

An historical perspective on your New Year's resolution...

You can't build a reputation on what you are going to do.

—Henry Ford

Enclosures:

- NADA Summary of FTC Disposal Rules
- Tri-Association NADA Reception Invitation, Jan. 29, 2005, New Orleans