



# THE WANADA BULLETIN

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

WANADA Bulletin # 20-08

May 23, 2008

## BREAKING NEWS!

### Gov. O'Malley Signs Trade Difference on Leases Into Law *MD Dealers Are Now Free to Proceed Accordingly*

With a stroke of his gubernatorial pen, Gov. Martin O'Malley yesterday signed into law the bill the Maryland General Assembly passed recently in its regular session that alleviates the ambiguity identified by the Motor Vehicle Administration on title tax credit for vehicles traded-in on leased transactions. The governor's action completes the new tax policy that came out of the fall 2007 Special Session of the General Assembly where Maryland joined the majority of other states which calculate vehicle title tax *net* of trade-in value.

The problem arose shortly after the January 2008 effective date of the net-of-trade law when a lawyer for MVA told the administrator that the new law didn't apply to leased vehicle transactions, which caused MVA staff to start disallowing title tax credit on lease applications. With the regular session of the General Assembly underway, MADA, with WANADA's support, introduced legislation to clarify their intention with the original legislation from the Special Session that title tax would be calculated net-of-trade in all vehicle transactions, leases no less than purchases.

Notwithstanding the General Assembly passing the bill clarifying the law, dealers were advised earlier this spring not to process net-of-trade credit on leases until the bill became law, which the governor took care of yesterday. Going forward, therefore, any vehicle-lease customer trading in a vehicle he or she owns as part of the leased transaction is entitled to a title tax credit in the calculation of the lease rate. Retroactively, back to January 1, 2008, lease customers who did not receive the net of trade tax benefit on a lease transaction, where a trade in was part of the deal, may be eligible for a refund.

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## THIS WEEK ON CAPITOL HILL

### Senate Panel Votes to Overturn EPA on California's Bid to Regulate CO<sub>2</sub>

*Measure Unlikely to Clear Full Senate or Go Forward This Year*

The Environment and Public Works Committee in the U.S. Senate voted narrowly this week to overturn EPA's decision blocking California and more than a dozen other states, including Maryland, from acting to limit greenhouse gas emissions from vehicles. However, the committee's chairman, Sen. Barbara Boxer (D-Calif.), said she wouldn't push for full consideration by the Senate because President Bush would veto it.

Moreover, the Senate Committee vote at 10 to 9 was largely along party lines, an indication the action won't withstand a filibuster if it came to the Senate floor for a vote.

In December, Environmental Protection Agency Administrator Stephen Johnson turned down California's request for a Clean Air Act

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## LEGISLATIVE ALERT

## CA Emissions Bill

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waiver that would have allowed the state to require automakers distributing products there and in other California Low Emission Vehicle states to regulate carbon dioxide emissions (CO<sub>2</sub>) to reduce "greenhouse" emissions. This opens the door to California mandating a 30% reduction in CO<sub>2</sub> emissions by 2016, which in turn, according to automakers, mandates the production of many more smaller vehicles.

In urging dealers to oppose the bill, S. 2555, both NADA and AIADA reflected the sentiments of the Committee's members who voted "no."

"The multi-state approach to increasing fuel economy standards in the bill compromises vehicle safety and directly threatens the mix of vehicles which dealers can offer their customers," said NADA. "Each state that follows California would have to calculate its own fuel economy averages to limit CO<sub>2</sub> emissions which would result in more than a dozen states with a dozen different fuel economy and emissions requirements. Senators must be reminded that the single, national corporate average fuel economy (CAFE) standard set by Congress last year will achieve substantial greenhouse

gas reductions while maintaining consumer choice.

"To supersede those standards with a patchwork of state regulations would cripple vehicle manufacturers, put dealers out of business, and severely limit consumer choice," said AIADA.

While not much is expected

on this matter in this session of Congress, there is no question it will be back up next year.

## COMING UP FAST: DON'T MISS OUT!

## WANADA Open: Much More Than Just Golf

*Join Us Monday, June 2, Lansdowne Resort for Fun and Rewards*

**T**True, the championship Robert Trent Jones and Greg Norman golf courses at the world class Lansdowne Resort take top billing at the annual WANADA Open. But it's much more than just a golf tournament. The Open is all about fun and the chance to network with your peers. On the "19th hole," cocktails and dinner are complemented with awards to the talented and fabulous prizes to the lucky! And an added attraction at this year's awards buffet is its *Master of Ceremonies*, the renowned Jill Sorenson, a mainstay on the Comcast SportsNet news desk.

As a bonus, Lansdowne is again offering a **special WANADA Open room rate of \$99** (available on Sunday, June 1, as well, with a golf package option of unlimited golf that day for \$149). You may also take advantage of the 15% discount in the Pro Shop offered to all WANADA Open participants.

For golfers, the Open kicks off with a shotgun start at 11:00 a.m., Monday, June 2, at Lansdowne's spectacular Golf Club. But note: registration this year will be restricted to the first 256 golfers, so sign-up today! Cocktails follow at 4:00 p.m., and the Awards Dinner commences at 5:30 p.m.

So don't miss out on what is shaping up to be an extraordinary day of fun and fellowship! An information and registration sheet is enclosed with this WANADA Bulletin. Optionally, participants may **register online at [www.wanada.org](http://www.wanada.org)**. For more information, call WANADA Events Director Kristina Henry at (202) 237-7200.



The MC for this year's awards dinner will be Comcast SportsNet's Jill Sorenson.



WASHINGTON AREA NEW AUTOMOBILE DEALERS ASSOCIATION

**VADA POSITION STATEMENT ON THE SPECIAL SESSION****VA Car Buyers Face Challenges From Transportation Funding Proposals**

With the upcoming Special Session of the Virginia General Assembly commencing June 23rd, Virginia car buyers and dealers are facing increased uncertainty, according to VADA.

"At a time that is the toughest many have ever seen for automobile retailers, anything that increases the cost of vehicles would be troublesome," said VADA President Don Hall, referring to proposals from the governor and others to raise state taxes. "Virginia's automobile industry has faced mounting losses and growing inventories over the past four years as sales have declined, particularly in the truck and SUV sectors," he said. "The situation has been further heightened by tightening credit requirements.

"While the rates on car loans are some of the best ever, lenders are becoming more stringent in their requirements," Hall explained. "In a significant percentage of cases, lenders are looking for money down and they expect buyers to pay the taxes and fees.

"There is a lot of pent up demand for new vehicles and a lot of people would like to trade up to a vehicle that gets better fuel economy," said Hall. "But potential buyers are facing roadblocks, with fuel, food and electricity costs rising."

Citing R.L. Polk, VADA noted that the median age of passenger cars on the road was 9.2 years in 2007, an all-time high. In 2007, 41.3% of the car population was 11 years old or older.

"The advanced age of vehicles on our roads is of concern, since newer model cars have reduced fuel consumption and significantly reduced emissions. Over the past couple decades, each model year tends to run up to 10% cleaner than the previous model year," said Hall.

In addition to the environmental factors, the effect of the industry on the overall economy is also a concern, says VADA. New automobile dealerships account for 20% of all retail sales in Virginia and automotive manufacturing jobs create nearly seven spin-off jobs.

VADA's bottom line: it's no time to raise taxes in Virginia. "It would be bad, not just for dealers, but for consumers and Virginia as a whole."

**VA MVDB REPORT****VA Dealer Board Hears Complaints Of Deceptive Practices**

The Virginia Motor Vehicle Dealer Board (MVDB) bi-monthly meeting on May 12 started with an unusual presentation by two pairs of consumers who had purchased vehicles with a promise of a rebate from a company offering a program known as Consumer Cash Rewards. The consumers complained about what they felt were **deceptive practices** on the part of the dealers who had offered the program and on the part of the company that administered the Consumer Cash Rewards program. MVDB determined to commence an informal investigation to determine guidelines to handle programs like Consumer Cash Rewards. This is a program in which the potential pay out to the customer depends on strict compliance with a complex set of requirements and a reducing payment amount based upon the overall number of redemptions.

In addition, MVDB considered a number of matters involving **independent dealer violations**, such as not maintaining appropriate hours, not maintaining paperwork, and similar problems. MVDB proposed a variety of penalties to seek compliance of these dealers.

The board also considered the **license applications** of two salespeople that had previous criminal convictions. Both salespeople appeared to give personal pleas that they be permitted to resume their careers. After great debate, MVDB determined to permit the licensing.

The meeting ended with the executive director announcing that the renovations of the board headquarters are about 90% complete. MVDB staff expects the renovations to be complete this summer.

**TRADE DIFFERENCE IN MARYLAND**

*(Continued from page 1)*

It appears now that dealers processing leased transaction refunds will need to apply to MVA on the customer's behalf. In situations where the dealership absorbed the tax credit on the customer's behalf, MVA has indicated they will require a release from the customer before issuing a tax refund to the dealership.

MVA is expected to instruct dealers on how to proceed with the title tax refunds shortly. Processing questions from dealers in the interim can be directed to MVA staff, MADA or WANADA.

At WANADA, contact Gerry Murphy or John O'Donnell at (202) 237-7200 or gm@wanada.org and jod@wanada.org, respectively.

**GET ON BOARD TODAY!****"State of the Union" Dealer Business Meeting**

*June 12, 8 a.m. - 12:30 p.m., Ritz Carlton in Tysons Corner*

WANADA has partnered with NADA, Charapp & Weiss, and other government relations advisers to hold a "State of the Union" Dealer Business Meeting to overview the many issues and challenges dealers face directly every day in the normal course of business. The meeting is *complimentary* to all WANADA dealer members (up to 4 per member store), courtesy of AutoTrader.com. Others, including Kindred-Line members, may attend @ \$50 per person.

The list of topics to be covered include: the upcoming FTC "Red Flags" Rule on ID Theft; New Vehicle Export Restrictions; Safeguarding Customer Data; UNICAP (New IRS Interpretation); Adverse Action Notices; Cash Reporting; Prevention of Money Laundering; Rights to Privacy; Truth-in-Lending Compliance; Dealer Rights in Factory Audits; FTC Address Discrepancy Rule; State Taxes & the Transportation Debate; and CAFE & the "Greenhouse" Gas Debate. There will also be a Chairman's Report on WANADA Programs, and WANADA Member Committee Reports.

Register online at [www.wanada.org](http://www.wanada.org) or use the enclosed information and registration form.

For more information and meeting details, contact Kristina Henry at WANADA: (202) 237-7200 or kh@wanda.org.

**WANADA INSURANCE UPDATE****2009 HSA Limits Announced**

The IRS has released the new Health Saving Account (HAS) limits for 2009:

- **Contribution maximum:** Single, \$3,000; Family, \$5,950 ; Catch-up, \$1,000
- **Insurance Limits:** Minimum: Single, \$1,150; Family, \$2,300

Maximum Out of Pocket: Single, \$5,800; Family, \$11,600. If you have any questions call John O'Donnell at WANADA, (202) 237-7200.

**Memorial Day Reflection...**

*True heroism is remarkably sober and not at all dramatic. It is not the urge to surpass all others at whatever cost, but the urge to serve others at whatever cost.*

— Arthur Ashe

**Enclosures:**

- WANADA Dealer Business Meeting Registration & Information Sheet, June 12, Ritz Tysons
- WANADA Open Registration & Information Sheet, June 2, Lansdowne Resort