

### Headlines...

Dealer assn. leaders convene at NADA Washington Conference

Small business tax relief heading for the president's desk

WANADA welcomes seven Kindred-Line Members

New Carrollton could be next growth market in the D.C. area

GAO says "no" to EV charging stations at the Capitol

Electricity on the go

Staying ahead...

## Dealer assn. leaders convene at NADA Washington Conference

Dealer associations from across the U.S. were in Washington this week, September 21-22, for NADA's annual Washington Conference where dealer group leaders reviewed the national government relations agenda and heard from a lineup of Washington insiders. WANADA's delegation consisted of George Doetsch, Apple Ford; Tamara Darvish, DARCARS; Jack Fitzgerald, Fitzgerald Auto Malls; Geoff Pohanka, Pohanka Automotive; and Gerard Murphy and Jake Kelderman of WANADA.



The conference also affords the opportunity for dealers to meet with legislators and regulators and is a critical part of the NADA's ongoing efforts to inform public policy makers of the important role dealerships play in the American economy, no less than their local communities. It also serves as an excellent platform to have the dealer voice heard on legislative and regulatory matters impacting the auto industry.

This year's conference was headlined by presentations from four key members of Congress who were instrumental in recent efforts to preserve dealer rights during the bankruptcy proceedings involving GM and Chrysler, as well as the effort to exempt dealers from Finance Reform. They included Sen. Sam Brownback (R-KS), who led the effort to exempt dealers from Finance Reform in the Senate and Rep. John Campbell (R-CA), who did the same in the House of Representatives. They were followed to the podium by Sen. Amy Klobuchar (D-MN), who championed dealer rights to arbitrate their disenfranchisement in the GM and Chrysler proceedings and Sen. John Thune (R-SD), who was also involved.

Sen. Klobuchar in particular inspired the audience with her impassioned reasoning for saving dealerships and the communities dependent upon them and her "down-home" telling of the stories behind that reasoning. "There was no credible reason for eliminating any dealership in these bankruptcies," she said, "and I am only sorry we couldn't save all of them."

The NADA leadership team has identified four legislative priorities for the remainder of the current session of Congress and briefed the attendees on each of these and where they stand. They include:

**Permanent estate tax reform** – NADA is hopeful this will happen this year. The association is supporting H.R. 3905, which would phase in a 35 percent rate and a \$5 million exemption over ten years and preserves the “stepped-up basis” for inherited assets, a provision the Senate passed last year.

**Repeal of the 1099 Tax-form mandate** – The association is supporting H.R. 5141/S. 3578, which would repeal the mandate that by 2012 all businesses must file 1099 forms with the IRS anytime they spend \$600 or more with a vendor.

**Extension of Tax Rate Reductions** – NADA is pushing for an extension of existing tax rates, particularly on personal income tax rates and long-term capital gains taxes, which will increase to 39.6 percent and 20 percent, respectively, on Jan.1, 2011. These increases “will make it more difficult to invest in dealership businesses as well as slow consumer spending,” the association says.

**Motor Vehicle Safety Legislation** – NADA is opposed to provisions in H.R. 5381 that would impose a federal tax on new-car sales to fund safety efforts and S. 3302 that mandates dealership certification when a used vehicle is subject to a recall. “Besides disrupting used-car commerce, the recall provision, by excluding private sales (a third of the market), would decrease safety by encouraging more unregulated sales in the casual used car market,” NADA says.

Conferees also heard from noted political analyst Charlie Cook, who opined that Democrats had “reason to worry” about the upcoming mid-term elections and that voter turnout and the independent vote would be key to who wins. “As things now stand, independents are leaning by at least 10% toward Republicans,” Cook said, but he noted that voter dissatisfaction with both parties is at an all time high.

## Small business tax relief heading for the president’s desk

Congress approved small business tax relief this week that will provide small-business owners with \$12 billion in tax cuts and increase lending opportunities. If the president signs it, as is expected, the measure would essentially reinstate the authority of the Small Business Administration (SBA) to waive upfront borrowing fees for small-business owners, like automobile dealers. The government defines a “small business” as 500 workers or less for most manufacturers and \$7 million and under in annual sales for most non-manufacturing enterprises.

Key provisions of the bill for franchised dealers include: Increases in Small Business Administration (SBA) loan limits from \$2 million to \$5 million for 7(a) loans; from \$1.5 million to \$5.5 million for 504 loans; and from \$35,000 to \$50,000 for microloans. It also increases the government guarantee on 7(a) loan limits, while providing the elimination of borrower fees on 7(a) and 504 loans through December 31, 2010. It increases the 7(a) *Express Loans* from \$300,000 to \$1 million to increase working capital to small businesses.

The bill also extends the American Recovery and Reinvestment Act small business lending program that eliminates the fees normally charged for loans through the SBA 7(a) and 504 loan

programs and increases the government guarantees on 7(a) loans from 75 percent to 90 percent. Since its creation, the program has supported over \$26 billion in small business lending, which has helped to create or retain over 650,000 jobs.

### **Other small business relief pertinent to automobile dealers**

Under current law, business owners are not permitted to deduct the cost of health insurance for themselves and their family members for purposes of calculating self-employment tax. The new bill allows business owners to deduct the cost of health insurance incurred in 2010 for themselves *and* their family members in the calculation of their 2010 self-employment tax.

Under current law, small business owners can write off, rather than depreciate, up to \$250,000 of capital expenditures, subject to a phase-out once these capital expenditures exceed \$800,000. The new bill increases the thresholds to \$500,000 and \$2,000,000 for the taxable years beginning in 2010 and 2011. At the end of 2011, the amounts would revert to the original SBA loan threshold levels of \$25,000 and \$200,000, respectively.

Within the temporary higher thresholds, the bill will also allow taxpayers to expense up to \$250,000 of the cost of qualified leasehold improvement property, qualified restaurant property, and qualified retail improvement property. At the end of 2011, the amounts revert to \$25,000 and \$200,000, respectively.

Businesses will also be allowed to write off 50 percent of the cost of depreciable property placed in service from 2008 through 2010, two years longer than current law.

The bill also removes cell phones and similar devices from the list of items that require taxpayer business purpose substantiation so their cost can be deducted or depreciated like other business property, without onerous recordkeeping requirements.

For a more detailed analysis of provisions of the Senate SBA measure, please contact Jake Kelderman at 202-237-7200.

## **WANADA welcomes seven Kindred-Line Members**

The WANADA board approved the membership applications of seven new Kindred-Line members at the September board meeting. Joining the association, in alphabetical order are:

**ACG Architects**, which provides a range of architectural, master planning and interior design services. David Cooper is the usual representative to the association;

**Automotive Essentials**, which offers a variety of vehicle accessories. Jonathan Titman, formerly of E&G Classics, is the usual representative;

**Cavalier Business Systems**, which is a full service provider of telecommunications solutions for business, consumer and government clientele. Richard Kurila is the usual representative;

**Homes, Lowry, Horn & Johnson, Ltd.**, which is a team of Certified Public Accountants, management consultants and Certified Financial Planners that provide a variety of accounting, tax and consulting services. Lyle Barlow is the usual representative;

**Mobile Productivity, Inc.**, which provides service offerings designed to increase customer pay parts and labor sales and increase technician productivity. Tom McLaughlin is the usual representative to WANADA;

**The Providence Group**, which provides training for sales and add-ons like Easy Care Products, vehicle service contracts, key care, dent care and credit insurance. Kevin Newman is the usual representative;

**Unifirst Corporation**, which is a provider of uniforms, mats, restroom products, mops and central services on these products. Bill Faistenhammer is the usual representative.

WANADA welcomes these new Kindred-Line Members and encourages their active involvement in Washington area dealer group affairs.

## **New Carrollton could be next growth market in the D.C. area**

The Washington Metropolitan Area Transit Authority and Maryland Department of Transportation are looking for partners to help develop a 5.5 million-square-foot project on 39 acres near the New Carrollton Metrorail, Amtrak and MARC stations. The site, part of which is owned by the state, is adjacent to the Internal Revenue Service building at New Carrollton.

The project would be the first of its kind in Prince Georges County where transit-oriented development at the county's 15 Metro stations has lagged behind other jurisdictions in the region.

Two other projects in the county are currently on hold: a joint development project at Hyattsville is stalled due to the poor economy and Metro's project near the Greenbelt station is currently mired in litigation.

The New Carrollton project involves a mix of uses, including up to 2.5 million square feet of office or other commercial space and 3,000 residential units.

Gov. Martin O'Malley announced in June a series of efforts aimed at bolstering development near the state's MARC and Metrorail stations. One offered additional planning money for projects and infrastructure improvements and the other designated priority stations. The New Carrollton, Naylor Road, Branch Avenue and Laurel MARC stations in Prince George's are all on the priority list.

## **GAO says "no" to EV charging stations at the Capitol**

The federal government is required to cut its greenhouse gas emissions 28 percent over the next decade, but letting electric vehicles recharge at the U.S. Capitol complex won't be part of that effort. The reason: red tape.

The matter came to light when earlier this year the architect of the Capitol (AOC) proposed installing battery recharging stations on the Capitol grounds for privately owned hybrid or electric vehicles, and a program where employees -- or members of Congress -- would reimburse the AOC for the costs of the electricity they use. But the Government Accountability Office, in an opinion issued last week, rejected both ideas.

"The use of appropriations for recharging personal vehicles is a matter for Congress to address through legislation," the GAO stated in its Sept. 15 opinion.

The GAO said there was no law that "specifically authorizes the use of appropriated funds" for installing recharging stations, nor a law that would allow the AOC to recover the costs by charging a fee. It went on to say the charging stations would also be akin to providing fuel for personal vehicles, which isn't permitted by law.

"We have consistently held that even where providing a personal benefit or item to an employee fulfills a laudable objective, appropriated funds may not be used unless the expenditure is necessary to achieve an authorized purpose," the GAO opined.

## Electricity on the go



A Swiss company has developed a mobile charging system for electric cars, which it claims is a world first. The vehicle mounted system, called Nation-E mobile, is designed to be used for charging batteries of stranded electric vehicles.

Range anxieties among potential buyers – as well as the lack of a recharging infrastructure which contributes to these worries – are seen as major impediments to making EVs a popular alternative to gasoline and diesel powered vehicles.

Forty percent of consumers report they are likely to test drive an electric vehicle, according to a recent study of U.S. adults, but “range anxiety,” even among these responders, remains an issue.

Nation-E mobile hopes to address those concerns with its charger system that can quickly provide an EV with another 30 miles of range with a single charge that takes 15 minutes.

Nation-E says its battery management system analyzes the EV's battery and determines the quantity and intensity of energy that could be “fast-charged” into the stranded vehicle. A touch screen enables the controlled flow of energy.

### Staying ahead...

**Remember: Amateurs built the Ark, professionals built the Titanic.**

**--Internet wisdom**