

### Headlines...

NADA wins UNICAP “safe harbor” for dealers from IRS  
Sam Weaver, Jr. to receive Northwood Education Award  
Federal and state tax credits for hybrid and electric vehicles  
Coming up! The WANADA Annual Meeting – Nov. 23, 2010  
Last call on Fall Flu shots!  
Thought for Veterans Day, Nov. 11 ...

## NADA wins UNICAP “safe harbor” for dealers from IRS

### Revenue Procedure 2010-44 will eliminate costly accounting procedures

In a major victory for new car and truck dealers, the IRS this week has created uniform capitalization (UNICAP) "safe harbor" methods of accounting that favorably resolve several contentious and potentially costly income tax issues that have arisen during IRS audits of franchised dealers over the past five years. The new safe harbor methods generally allow automobile dealers to be classified as “retailers” who are not required to capitalize handling, storage, or production costs incurred at their sales facilities.

The IRS's creation of the new safe harbors represents a dramatic change in the UNICAP approach it announced in September 2009 and in subsequent positions it took in many dealer audits that "encouraged" dealers to change their UNICAP methods of accounting to conform to an adverse 2007 technical advice memorandum (TAM) on the topic. In response, NADA sent a detailed letter to Treasury and the IRS criticizing the field directive and seeking a meeting with senior IRS officials to explore less burdensome and simplified compliance alternatives for franchised car and truck dealers. Meetings between the IRS and a NADA-assembled team of dealers and tax professionals took place this past summer that led to the “safe harbor” ruling (Revenue Procedure 2010-44) issued this week.

Dealers and their tax consultants are urged to evaluate the scope of [Revenue Procedure 2010-44](#), carefully, along with its automatic change procedures, audit protection provisions, etc. NADA will host a webinar on the topic with an IRS motor vehicle technical advisor and outside tax consultant and a former IRS Motor vehicle industry specialist that will take place on Tuesday, November 30 at 1 p.m. EST (additional details to be announced). For more information, please contact Paul Metrey with NADA at (703) 821-7040 or [pmetrey@nada.org](mailto:pmetrey@nada.org).

WANADA salutes the NADA government relations team on a job well done!

## Sam Weaver, Jr. to receive Northwood Dealer Education Award

WANADA dealer member and MADA chairman Sam Weaver, Jr. of Chevy Chase Cars has been tapped to receive the Northwood University Education Award for 2010.

A leader of the Maryland Automobile Dealer Association annual effort to recognize teaching excellence through its "Teacher of the Year Award," Mr. Weaver has been at the forefront of addressing the challenges associated with preparing young people to succeed in an ever changing world, not least of which is the automobile industry.

Currently Weaver is chairman of the MADA Foundation, whose mission is "to provide educational benefits to those seeking career opportunities in the Maryland automobile industry." In this connection, Weaver and his wife Linda are hosting a black tie MADA Foundation event in Annapolis this weekend, where dealers statewide will be familiarized with the Foundation and afforded the opportunity to support it. Weaver also serves as the vice president of the St. John Regional Catholic School Board and is fund raising chairman of St. Luke's House for the education of the mentally retarded.



Sam Weaver, Jr.

Within the dealership, Weaver has established a full post-high school scholarship to deserving employees with career interest in automotive repair technology. He has also been a regular supporter of WANADA's Automobile Dealer Education Institute (ADEI) Technician Training, which provides educational scholarships and fulltime employment to post-high school students looking to become auto technicians.

Northwood presents its Dealer Education Awards at the NADA Convention, which this year will occur in San Francisco, CA, on Sunday, February 6.

WANADA congratulates Sam Weaver on the well-deserved recognition.

## Federal and state tax credits for hybrid and electric vehicles

WANADA has received several dealer inquiries regarding tax credits available for hybrid and electric vehicles. Below you will find complete information on these federal and state credits as well as links to further information.

**Federal and State Plug-in Hybrid Tax Credit:** To qualify, vehicles must be newly purchased, have four or more wheels, a gross vehicle weight rating of less than 14,000 lbs., and draw propulsion using a battery with at least four kilowatt hours that can be recharged from an external source of electricity. The minimum credit for qualified plug-in electric drive vehicles is \$2,500 and tops out at \$7,500, depending on the battery capacity. This credit is available only for vehicles purchased between December 31, 2009 and December 31, 2011. Dealers should also know that once the manufacturer has sold at least 200,000 vehicles the credit will be reduced and

phased out over a year. See [IRS Notices 2009-54: Qualified Plug-in Electric Vehicle Credit \(PDF 29kb\)](#) and [2009-58: Qualified Plug-In Electric Vehicle Credit Under Section 30 \(PDF 19kb\)](#) for more information.

**Federal Tax Credits for Advanced Vehicles:** The comprehensive energy bill of 2005 set out tax credits for advanced vehicle technologies ranging from \$250 to \$3,400 depending on the vehicle's level of fuel economy improvement. The full tax credits were available until a manufacturer reached 60,000 vehicles sold (e.g., 60,000 for Toyota, 60,000 for Ford, etc.). Once a manufacturer had sold 60,000 vehicles, a one-year "phase out" would begin after the next complete calendar quarter with 50 percent of the credit being available for that manufacturer's hybrids in the first two quarters of the phase-out period and 25 percent in the final two quarters.

Toyota, Honda, and Ford have already met the 60,000 sales threshold and Federal tax credits are no longer available on hybrid vehicles from these automakers. An IRS list of the currently available tax credits for the 2010 and 2011 models of BMW, Cadillac, Chevrolet, GMC, Mercedes, Mercury, and Nissan hybrids can be found [here](#). Not yet listed on the IRS website is the tax credit for the 2011 Hyundai Sonata Hybrid that will go on sale in mid-December. It will qualify for a \$1,300 federal tax credit; however the credit expires on December 31, 2010.

## Washington DC

**Hybrid Vehicle Tax:** The DC DMV Reform Amendment Act of 2004 exempts DC buyers of hybrid and other alternative fuel vehicles from paying the DC excise tax on their vehicle. If these vehicles also achieve a city fuel economy rating of at least 40 mpg, owners are charged a reduced registration fee of \$36 for the first two years of the vehicle's registration, which is half of the fee paid for a conventional vehicle (\$72). After that, the owner of the vehicle will have to pay the regular registration fee.

## Maryland

**Tax Credit for Electric Vehicles:** Maryland offers a tax credit for the purchase of qualified plug-in electric vehicles, of up to \$2,000 until June 30, 2011. The credit is limited to one vehicle per individual.

**Plug-in Hybrid HOV:** Maryland authorizes plug-in vehicles with a state-administered permit to use HOV lanes regardless of the number of occupants. The state may charge no more than \$20 for a permit. The HOV lanes exemption expires on September 30, 2013.

**Vehicle Emission Tests Exemption Law:** Hybrid electric vehicles that achieve a city fuel economy rating of at least 50 mpg are exempted from motor vehicle emissions testing and inspection requirements until September 30, 2012. After that date, a qualified hybrid vehicle is not required to submit to an emissions test and inspection until 3 years after the date when the vehicle was first registered in the state. The only qualified vehicles are the Generation 1 Honda Insight and the Toyota Prius manufactured prior to the 2008 model year. For more information, visit [Maryland's Motor Vehicle Administration's web page](#).

## Virginia

**State Hybrid HOV:** Hybrid vehicle owners can register them with clean fuel license plates that permit them to use all HOV lanes in Virginia during HOV hours, including I-66 and the Dulles Toll Road in Northern Virginia, but not the HOV-3 lanes on I-95/395 from 6 to 9 a.m. or from 3:30 to 6 p.m. The HOV exemptions run through June 30, 2011.

The Department of Motor Vehicles (DMV) has created a new clean special fuel license plate for hybrid vehicles registered July 1, 2006 and after. The new plate has a distinctly different design to help Virginia State Police enforce the HOV restrictions.

Not all hybrids qualify for clean fuel license plates, but the following do: Toyota Prius (all years) Honda Insight: 2003, 2004, 2005, 2006 Honda Civic Hybrid (all years) Honda Accord Hybrid, 2006 and 2007 Ford Escape Hybrid, 2005, 2006, 2007, 2008 and 2009 Toyota Highlander Hybrid, 2006, 2007, 2008 and 2009 Lexus RX400 Hybrid, 2006, 2007 and 2008 Mercury Mariner Hybrid, 2006, 2007, 2008 and 2009 Toyota Camry Hybrid, 2007, 2008 and 2009 Lexus GS450h, 2007, 2008 and 2009 Nissan Altima 2.5 Hybrid, 2007, 2008 and 2009 Lexus RX 400h, 2007 and 2008 Lexus LS 600h, 2008 and 2009 Mazda Tribute Hybrid, 2008 and 2009 Toyota Camry Hybrid 2.4L, 2009. For all the rules, FAQs and most up to date list of qualified hybrid vehicles, visit the [Virginia Department of Transportation's web site](#).

There is an annual \$25 surcharge for the clean special fuel license plate.

**Tyson's Corner Center Preferred Hybrid Parking:** Tyson's Corner Center has 15 "hybrid-only" parking spaces spread throughout the mall's parking lots that are close to store entrances.

## **Coming Up! The WANADA Annual Meeting – Nov. 23, 2010** **Fox newsmen Chris Wallace to layout the new order in Congress and its likely impact**



The time to sign up for WANADA's Annual Meeting and Luncheon is *now*, because it's coming up week after next at Congressional Country Club, Tuesday, Nov. 23. Dealers and their guests will hear from lunch keynoter Chris Wallace of *Fox News Sunday (FNS)*, who will be giving attendees his analysis of the new sense of order in Congress and what it might mean for the American political scene and the world.

Wallace worked at ABC News and NBC News as chief White House correspondent before joining *FNS*. He has covered numerous presidential campaigns, as well as the Democratic and Republican Conventions, over his long and distinguished career.

In addition to Wallace, NADA chief economist Paul Taylor will present his thoughts on the year ahead for the auto industry and how the changed political scene in Washington should impact things. WANADA will also present its *year-in-review* report and members will be electing the association's 2010 - 2011 Board of Directors.



To register, please complete the registration form included with this bulletin at page six, below, and fax it to (202) 237-9090. The form can also be downloaded at [www.wanada.org](http://www.wanada.org). For questions and meeting details, contact Kristina Henry at: (202) 237-7200, ext. 18, or [kh@wanada.org](mailto:kh@wanada.org).

WANADA is grateful for the generous sponsorships of the 2010 Annual Meeting and Luncheon by **AutoTrader.com, Enterprise and CARFAX.**

## Last call for Fall Flu Shots!

**WANADA's popular employee benefit program ends after next week.**

WANADA members have a second opportunity to sign up for flu shots this fall as the association has arranged with Novartis Health Services to make them available again between now and Thanksgiving week, Nov. 22, which is coming up.

Dealerships looking to participate must have a minimum number of 20 employees ready to sign up. The multi-functional inoculation this year protects against the H1N1 virus and two other flu strains and is still available for the low price of just \$23pp. To sign up, complete the registration forms included in this bulletin at page seven, below, and fax it to the attention of Martha Kowalski in WANADA's Employee Benefits Department at (202) 237-7779 (F).

### Thought for Veterans Day, Nov. 11 ...

In Flanders fields, the poppies blow  
between the crosses, row on row,  
that mark our place; and in the sky  
the larks, still bravely singing, fly  
scarce heard amid the guns below.

We are the Dead. Short days ago  
we lived, felt dawn, saw sunset glow,  
loved and were loved, and now we lie  
in Flanders fields.

Take up our quarrel with the foe:  
to you from failing hands we throw  
the torch; be yours to hold it high.  
If ye break faith with us who die  
we shall not sleep, though poppies grow  
in Flanders fields...



*John McCrae, author of In Flanders Fields, one of the most recited poems of World War I, ending in the Armistice of Nov. 11, 1918, the year McCrae, a Canadian field doctor, died.*

# WANADA Annual Meeting and Luncheon

Tuesday, November 23, 2010  
 Congressional Country Club  
 8500 River Road, Bethesda, MD

Featuring  
**Chris Wallace**

Veteran TV Journalist and Host of *FOX News Sunday*



## Agenda

- 11:30 a.m - Networking Reception
- 12:00 p.m. Lunch
- 12:45 p.m. WANADA Report and Membership Business
- 1:00 p.m. Paul Taylor, 2011 Outlook
- 1:10 p.m. Chris Wallace, *The New Political Landscape*

**The Program:** Chris Wallace, the host of *FOX News Sunday*, has been a major media and Washington political presence for years, serving as a journalist for ABC News, senior correspondent for *PrimeTime* and *20/20*, and White House correspondent. He is also the author of *Character: Profiles in Presidential Courage*, which details the tradition of leadership in America's presidency.

Wallace will discuss the implications of the important mid-term elections. Joining Mr. Wallace on the program will be NADA's chief economist Paul Taylor, who will provide his auto industry outlook for 2011 and beyond.

In addition, there will be a dealer association report on an extraordinarily eventful year for the auto industry and the Washington area car market. Members will also elect WANADA's 2010-2011 Board of Directors.

Please join us for lunch with the WANADA leadership in what promises to be a timely, informative and memorable WANADA Annual Meeting!

Sponsored in part by:



### Registration Form - 2010 WANADA Annual Meeting & Luncheon Tues. November 23, 2010

Please reserve \_\_\_\_\_ tickets at **\$115** per person, or \_\_\_\_\_ Table(s) of ten discounted to \$1050 each

Organization: \_\_\_\_\_

Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Contact: \_\_\_\_\_ Phone: \_\_\_\_\_

Email: (please print) \_\_\_\_\_

Method of Payment:  Invoice me

Check enclosed: \$ \_\_\_\_\_ Make checks payable to: Washington Area New Automobile Dealers Association

Credit Card (Visa, Amex, MC, Discover) (Circle one) Credit Card # \_\_\_\_\_ Expiration Date: \_\_\_\_\_

Sec. Code \_\_\_\_\_ Name as it appears on card (please print): \_\_\_\_\_

Billing Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_ (If Different from above)

Signature: \_\_\_\_\_ Amount to be Charged \$ \_\_\_\_\_

**Return form to: Washington Area New Automobile Dealers Association, 5301 Wisconsin Avenue, N.W., Suite 210, Washington, D.C. 20015 or fax to (202) 237-9090. For more information, contact Kristina Henry at (202)237-7200, ext. 18.**



**DEALER EMPLOYEE  
ON SITE FLU SHOT PROGRAM  
FALL, 2010**

Our dealership is interested in participating in this year's on site flu shot program. We understand that shots will be administered on site by NORVAR health services medical professionals at an agreed upon place and date, and that this opportunity is only available until November 24, 2010. We understand that a minimum of twenty (20) participants/location is required to schedule an on-site flu shot program.

**DEALER ORGANIZATION**

**ADDRESS WHERE PROGRAM TO BE HELD**

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**POINT OF CONTACT NAME**

**PHONE #**

**FAX#**

**E-MAIL**

**ESTIMATED NUMBER OF FLU SHOT PARTICIPANTS**

**BEST DAY OF WEEK FOR PROGRAM**

**ALTERNATIVE DAY OF WEEK**

**BEST TIME OF DAY FOR PROGRAM**

**ALTERNATIVE TIME OF DAY**

**WE HAVE NO PREFERENCE FOR DATE(S) OR TIME(S)**

**OTHER COMMENTS**

**SUBMITTED BY \_\_\_\_\_ TITLE**

**FAX BACK TO  
Flu Shot Fax Line  
(202) 237-7779**

AS YOU ARE AWARE, THE CENTER FOR DISEASE CONTROL (CDC) AS WELL AS SLOW AND/OR DISRUPTED MANUFACTURING PROCESSES HAVE INTERRUPTED THE VACCINE SUPPLY SEVERAL TIMES IN RECENT YEARS. WANADA CANNOT BE HELD RESPONSIBLE FOR INTERRUPTION IN THE SCHEDULING SHOULD THIS OCCUR AGAIN THIS YEAR. SHOULD RESCHEDULING BECOME NECESSARY FOR ANY REASON, THE RESCHEDULING IS DONE BY MUTUAL AGREEMENT BETWEEN YOUR DEALERSHIP AND NORVAR HEALTH SERVICES.

WANADA DOES NOT SCHEDULE THE DATES FOR THE SHOT PROGRAM NOR IS WANADA RESPONSIBLE FOR ASSURING SUPPLIES OF THE VACCINE.