

INSIDE THE BELTWAY

House Follows Senate on Energy Bill Which Bush Signed into Law *Industry Gains Reasonable CAFE Increase Schedule*

With The House following The Senate on passing landmark energy legislation this week, President Bush quickly signed into law an energy package, which, among other things, increases Corporate Average Fuel Economy (CAFE) standards by ten miles per gallon over ten years. Automakers and automobile dealers, including many WANADA members, were instrumental in ensuring that the legislation includes a number of industry priorities.

The new law increases fuel economy to a fleet-wide average of 35 miles per gallon by 2020 and provides sufficient flexibility that will enable automakers to continue to meet consumer demand.

Many dealers from here and across the U.S. converged on Capitol Hill over the summer, presenting market concerns over earlier versions of the legislation and to voice support for a workable compromise. By and large, the industry's efforts paid off this week.

Key industry-backed provisions of the new energy law include the following:

Separate Standards for Cars and Light Trucks.

Thanks in large part to dealers' support of the Hill-Terry CAFE Alternative bill in Congress last summer, the new law maintains *separate* fuel economy standards for cars and light trucks - a major concession for the industry. This provision also should allow automakers to trade credits among their own fleet to offset less efficient vehicles.

Reliance on Attribute-Based Standards to Meet New CAFE Mandates. The increase from 25 to 35 mpg was only accepted after lawmakers granted automakers greater flexibility to deal with market fluctua-

tions. Under the new standards, each manufacturer will be required to meet higher standards based on a vehicle attributes such as size or weight. Dealers opposed competing legislation that would have imposed unreasonable lead times.

Reasonable Fuel Economy Standards for Trucks. The new law calls for a study on ways to increase commercial truck efficiency and a formal rule-making to set standards for larger vehicles, but it does not mandate a specific mpg standard within a certain time period. An earlier version of the bill - opposed by the industry - would have mandated an unworkable 4% annual increase in mpg for medium and heavy-duty trucks beginning in 2009.

Incentives for Bio-Fuels and No 'Off-Ramps.'

The law extends incentives for production of vehicles that run on non-petroleum based fuels, such as E85, and expands the rules to include bio-diesel. The law drops the unusable off-ramps (provisions authorizing the agency to delay compliance) in favor of standards

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EPA Turns Down California's Bid to Regulate Fuel Economy

Hot on the heels of the landmark energy legislation enacted by Congress and signed into law this week by President Bush, the U.S. Environmental Protection Agency *rejected* California's plan to expand its California low emissions vehicle program (Cal-Lev) into regulating fuel economy, an area heretofore reserved for the federal government. California proposed to get into the business of regulating vehicle fuel economy by having EPA grant it a waiver of federal authority to regulate CO₂ as a tailpipe emission, the way it

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IMPORTANT NEW YEAR TAX UPDATES

2008 Tax Change Highlights

Seems unfair to have tax changes and a holiday greeting in the same issue, but it's that time again for both. Here are the highlights of rates on federal taxes that affect businesses, effective January 1, 2008.

- **Social Security and Medicare Taxes.** Employer and employee will continue to pay: 6.2% each for social security tax (old-age, survivors, and disability insurance), and 1.45% each for Medicare tax.
- **Wage limits.** For social security tax, the maximum amount of 2008 wages subject to the tax has increased to \$102,000 from \$97,500 for 2007. For Medicare tax, all covered 2007 wages are subject to the tax.
- **Self-Employment Tax** rate on net earnings remains the same at 15.3%, which is a total of 12.4% for social security (old-age, survivors, and disability insurance) and 2.9% for Medicare.
- **Depreciation and Section 179 Expense.** The maximum section 179 deduction you can elect for property you placed in service in 2008 is increased to \$128,000 for qualified section 179 property. This limit is reduced by the amount by which the cost of section 179 property placed in service during the tax year exceeds \$510,000.
- **Federal Unemployment Tax Act (FUTA)** tax rate remains at **0.8%** of the first **\$7,000** paid each employee as wages during the year.
- **Business mileage rate is 50.5 cents a mile** for all business miles driven, up from 48.5 cents a mile in 2007. The rate for **medical and moving deductions** is **19 cents a mile**, down from 20 cents a mile in 2007. The per mile driven in service of **charitable** organizations is unchanged at **14 cents a mile**.
- **Federal minimum wage** is **\$5.85** from Jan. 1 to July 24, and **\$6.55** from July 24 to Dec. 31, 2008.



WASHINGTON AREA NEW AUTOMOBILE DEALERS ASSOCIATION

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.

Every dealership (or business) should have written guidelines in regard to record retention. The majority of citations issued to dealers for violating federal laws involve improper or nonexistent recordkeeping or reporting. Before disposing of any records, you should review federal, state, local and other paperwork retention requirements.

To assist in sorting through paperwork, NADA offers Management Guide LO3-E, *A Dealer Guide to Federal Records Retention*, which outlines federal retention requirements for seven major categories of records. Keep in mind, this list is not all-inclusive — dealers should contact their CPA firms and/or attorneys to obtain its opinion in addressing state, local and other requirements.

NADA members can obtain a complete copy of *A Dealer Guide to Federal Records Retention and Reporting* by going to NADA's Web site at nada.org, or contact NADA Management Education at (703) 821-7227.

2008 Retirement Plan Limits

- **Maximum Pre-Tax 401(k) Contribution:** The maximum amount your employees can defer remains at \$15,000.
- **Annual Addition Limit** is \$46,000, up from \$45,000 in 2007.
- **Annual Compensation Limit** is \$230,000 up from \$225,000 in 2007.
- **Highly Compensated** up from \$225,000 in 2007. Employee Limit is \$105,000, up from \$100,000 in 2007...
- **Catch-up contributions:** The maximum additional contributions to a 401(k) by any employee who will be age 50 or older on Dec. 31, 2007 remains at \$5,000.

More information on "Tax Law Changes for Business" is available at <http://www.irs.gov/formspubs/article/0,,id=109879,00.html>.

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New CAFE Standard (cont.)*(Continued from page 1)*

currently used by NHTSA.

The new law does not determine which government agency - EPA or NHTSA - has primary jurisdiction to regulate fuel economy and emissions. Dealers supported a provision to identify NHTSA as the lead agency. The Bush Administration will attempt to harmonize the authority of the two agencies shortly, when EPA is expected to issue controversial new rules to regulate greenhouse gas emissions (CO₂) from tailpipes. Congress is expected to hold hearings next year to examine the administration's approach.

EPA Tells California No (cont.)*(Continued from page 1)*

and about a dozen other states do with other emissions. Since EPA itself has only recently gotten into regulating CO₂, the recognized cause of greenhouse gas, they don't want to relegate this authority to California since the newly enacted federal energy law addresses this through increased CAFE standards (35 mpg by 2020), which California would trump with its proposed higher fuel economy standards (43 mpg for cars by 2016).

Gov. Arnold Schwarzenegger said California will sue to overturn EPA's decision, which is a safe bet it will. Stay tuned.

VA, MD Vehicle Tax and Fee Changes for 2008

Laws enacted in the legislatures of Virginia and Maryland this year have resulted in the following changes in the taxes and fees for residents and dealers in both states:

Virginia Changes

Effective January 1, 2008, statutory fees collected by dealers and remitted to the Virginia Department of Motor Vehicles (DMV) will include new regional transportation fees for the Northern Virginia Transportation Authority (NVTa). NVTa localities include the counties of Arlington, Fairfax, Loudoun, and Prince William, the cities of Alexandria, Fairfax, Falls Church, Manassas and Manassas Park and the towns of Clifton, Dumfries, Hamilton, Haymarket, Herndon, Hillsborough, Leesburg, Lovettsville, Middleburg, Occoquan, Purcellville, Quantico, Round Hill and Vienna.

The NVTa motor vehicle fees include:

1% Initial Registration Fee, based on vehicle sale price, imposed at the time a vehicle is initially registered within an NVTa locality (see above);

\$10 Annual License Fee, collected in conjunction with the state vehicle registration fee;

5% surcharge on auto repair labor;

\$10 Safety Inspection Fee;

\$2 Rental Vehicle Tax.

VADA with WANADA reviewed the NVTa taxes and fees (how to collect and remit them) at a Northern Virginia dealer meeting last week. Those unable to attend can review the meeting handouts and other pertinent materials at <http://dealers.vada.com/legislative.aspx> and www.thenovaauthority.org, and more information will be forthcoming on website, www.wanada.org.

Maryland Changes

Effective January 1, 2008, the vehicle title tax (the vehicle sale tax) increases from 5% to 6% of the vehicle's sale price *net of trade*. Specifically, car buyers registering a vehicle in Maryland are allowed a credit for 100% of the trade-in allowance. This increased amount must be collected and submitted for the Motor Vehicle Administration to process the registration paperwork. In addition, the one-time certificate of title fee increases from \$23 to \$50.

MADA and representatives of MVA will be conducting a "Special Session Seminar" to discuss the procedures that should be implemented at dealerships. Subjects covered will include understanding the trade difference allowance, properly updating forms, advertising trade difference, trade difference on lease transactions, and specific MVA requirements.

The seminar will be held at the Turf Valley Resort in Ellicott City, January 17, 2008, from 10:00 a.m. to 12:00 noon at a cost of \$60 per person. For more information and registration, call MADA at (800) 526-7423.

WANADA/NADA "Coaching Dealerships to Profitability" Seminars at Auto Show

NADA Management Education and WANADA will partner for the first time to present a new seminar series at the 2008 Washington Auto Show, Jan. 23-27. The series—**Coaching Dealerships to Profitability**—consists of three seminars designed to help dealers maximize profitability in fixed operations, used car sales management and general management. Each seminar will be held from 8:30 a.m. to 4:30 p.m. at the Washington Convention Center, and be taught by NADA Dealer Academy and 20 Group consultants. The cost is \$249 per person (to include a \$15 lunch voucher and handout material). Here is the lineup:

- **Eight Critical Concerns for the General Managers**, January 23;
- **Advanced Service and Parts Management**, January 24;
- **Used Vehicle Department Profits Accelerator**, January 25.

For more information, see the enclosed detail sheet or call Kristina Henry at 202-237-7200 ext 18, or email kh@wanada.org.

Happy Holidays!

*The WANADA Staff wishes all Bulletin
readers the warmth, joy and peace of the season!*

*Steve Arabia, Archie Avedisian, Bill Belew, Wil Desjardins, Ralph Frisbee,
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Dan Slaughter, Charley Spiridopoulos & Margaret Tsai*

*(see the enclosed Thought for the Season on the Twelve Days of Christmas and a Holiday Greeting to our
Kindred-Line members)*

Thought for the Week...

*I stopped believing in Santa Claus when my mother took me to see him
in a department store, and he asked for my autograph.*

—Shirley Temple

Enclosures:

- A Thought for the Season
- Season's Greetings to Kindred-Line Membership
- WANADA/NADA Seminar Series at The Washington Auto Show (details & registration)