



THE WANADA BULLETIN

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

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MD LEGISLATIVE UPDATE

Gov. Ehrlich Looking at Hike in MD Titling Tax *Dealers Urged to Contact His Staff Immediately*

Committed to raising \$300 million in revenue for the Transportation Trust Fund (TTF) this year, Gov. Robert L. Ehrlich Jr. has made it clear that he will rule out any increase in the gas tax, which leaves the titling tax and registration fees as the only two traditional methods of raising revenue for the TTF.

MNCTDA reports it has recently learned in private meetings with the governor's staff that a titling tax increase based on the price of the vehicle is being considered. "We must let the governor and his staff know that such a tax is unacceptable. Since Gov. Ehrlich has vowed not to raise the sales tax, we must inform him that a titling tax is exactly the same as a sales tax. A registration fee increase coupled with a titling tax will unfairly burden dealer customers, and as a result, vehicle sales will decline. When vehicle sales de-

cline, Transportation Trust Fund revenue declines," said MNCTDA in its online newsletter *On The Move*.

Maryland dealers need to stress that the titling tax is not a "user fee," but rather a "vehicle sales tax." A one-percentage point increase – from 5% to 6% – will unfairly deter customers from purchas-

ing a new vehicle.

There is still time to shape the governor's transportation package before he submits it to the General Assembly. MNCTDA and WANADA are asking every Maryland dealer member to contact Gov. Ehrlich, Budget Secretary Chip DiPaula, and Transportation

(Continued on page 2)

WANADA INSURANCE UPDATE:

WANADA Enters Auto Dealer Property & Casualty Insurance Market

In an effort to better serve our members' insurance needs, WANADA has teamed with Weaver Brothers insurance to represent CHUBB, MIC and The Hartford insurance companies specifically for dealer P&C insurance coverage. The program will be referred to as the WANADA Dealer Plus program and is available now to all members with an effective date of May 1, 2004.

"This program was designed to provide high quality coverage at a reasonable premium for many years to come," said John O'Donnell, WANADA vice president of Employee Benefits Marketing. "We are seeking to mitigate the wild premium increases that 9/11 has imposed on the market by involving solid carriers with auto dealer experience, so that the dealer does not need to cut coverage to make the premiums cost effective."

For more information on the new program, contact John O'Donnell at WANADA, (202) 237-7200 ext. 30, or e-mail: jod@wanada.org.

Inside...

NADA Responds to Consumer Federation Charges.

.....p.2

VA Legislative Update.....p.3

DC DMV Certification of Safety Inspections Now Must Accompany Tag Work on All Used Car Sales in DC.....p.4

MD LEGISLATIVE UPDATE *(continued from page 1)*

Secretary Flanagan immediately in opposition to a titling tax increase.

The easiest way to contact these legislators is to use eConstituent on MNCTDA's website, www.mnctda.org, enter the following password *MNCTDA*, and click on "Take Action."

Other MD Bills to Watch

In other developments in the highly contentious 2004 session of the Maryland General Assembly, bills of interest to dealers are the following:

- **HB 39 - Certificates of Inspection, Salvage Vehicles** requires the MVA to issue a certificate of title without a certificate of inspection issued by a county police department or the Maryland State Police if the vehicle is a specified age or was released from a police impound lot within a specified period; or if they cannot schedule an inspection appointment within a specified time period or miss a scheduled inspection appointment.

- **SB 91 - Public Vehicle Theft Database** requires the Maryland State Police to create and make available to the public (on the Internet and on a toll-free automated phone line) a reasonably current database containing the registration number of vehicles reported stolen

- **HB 218 - Tax Credits for Employer Created Work Learning Jobs** extends for three years (until November 1, 2006) the availability of a tax credit for wages paid to

students under an approved work-based learning program.

- **HB 314 - Emissions Standards for Low Emissions Maryland Vehicles** requires the Department of the Environment and the Motor Vehicle Administration to adopt emissions standards and compliance requirements by December 31, 2006 that will establish a specified low emissions vehicle program applicable to vehicles of the

model year 2010 and each model year thereafter

- **SB 219 - Closing SUV Tax Loophole** provides modifications to federal adjusted gross income of an individual or federal taxable income of a corporation for Maryland income tax purposes to reflect the determination of the depreciation deductions with respect to a heavy duty SUV.

NADA Responds to Consumer Federation on Auto Financing

NADA was quick to respond to charges last week by the Consumer Federation of America that hidden auto financing charges cost consumers \$1 billion each year, and blacks and Hispanics are particular targets.

When a car buyer arranges financing through an auto dealer, lenders quote a finance rate based on the buyer's credit history. In some cases, CFA contended that dealers are increasing that rate by several percentage points and sharing the profit with lenders.

Stephen Brobeck, executive director of the Consumer Federation, said dealers are "taking advantage of vulnerable consumers," and should charge a flat rate of \$100 or \$200 instead of marking up financing rates.

NADA responded that the charges are fair compensation for dealers who set up financing. "The rate provided by finance companies to dealers is a wholesale rate," the association said in a statement to the Associated Press. "It's the same as the difference between what McDonald's pays for a hamburger and what we pay for it. The McDonald's markup is undisclosed." NADA also said consumers are free to shop around if a quote seems too high.

To help educate consumers on auto financing, NADA, in cooperation with the American Financial Services Association (AFSA) and the Federal Trade Commission, also pointed out that it produced a six-page brochure that was sent to all its member dealers in the U.S. In addition, NADA is releasing a new VHS or CD video and study guide, "F&I: Absolute Integrity...100% of the Time," at its convention. The program explores F&I-from the customer's purchase to offering value-added products and services to enhancing overall profitability-and how to complete the work legally and ethically.

VIRGINIA LEGISLATIVE UPDATE

The 2004 Session of the Virginia General Assembly opened on Wednesday, January 14, 2004. The 60-day Session looks to be dominated by budget issues as the General Assembly considers the tax reform in crafting the next two year state budget. Listed below is a wide range of bills VADA, with WANADA's support, is tracking:

HB 231/SB 324 Cure Offer. The proposed bill is designed to expedite a remedy under the Virginia Consumer Protection Act (VCPA) by providing strong incentives for early constructive interaction between a merchant and a consumer. The central idea behind the expedited remedy legislation is the "Cure Offer" which the merchant must send to the consumer early in the controversy if the merchant expects to benefit from the legislation. The Cure Offer must compensate for the consumer's loss or damages and must contain an additional sum of money to cover any expenses and inconvenience of the buyer prior to the offer. If the consumer accepts the Cure Offer, the controversy ends quickly and with little expense. If the consumer rejects the Cure Offer and the VCPA award to the consumer is less than the value of the Cure Offer, the consumer will be responsible for his or her own attorney's fees and court costs from the date of the offer.

HB 180 Motor vehicle odometer readings; disclosure. The proposed bill will conform Virginia's odometer disclosure provisions to the Federal Odometer Act by recognizing the exemption of heavy trucks (16,000+ GVW). Most states conform to the Federal act and do not require a disclosure. Currently Virginia law requires an odometer disclosure for every vehicle transferred in the Commonwealth. The title to a vehicle over 16,000 GVW may not have a complete odometer history when it has been transferred in a state that does not require disclosure. A Virginia dealer who sells such a vehicle will have to spend time trying to reconstruct the odometer disclosures or will have to sell the vehicle with mileage unknown. This bill will eliminate that confusion.

Budget Bill(s) Several tax increase proposals have been floated which would raise the sales & use tax on new & used cars & trucks from the current 3% up to 5% or 5½%. Dealers oppose an increase citing strong economy as public revenue raiser.

Other Bills Affecting Auto Dealers

HB 85 Motor vehicle safety inspections; certain new vehicles exempt. Exempts new motor vehicles with less than 6,000 miles indicated on their odometers from initial safety inspections.

HB 86 Driver's licenses. Exempts employees and officers of banks and other financial institutions from the prohibition on photographing or otherwise copying a driver's license, provided the copying is done in connection with the bank's or other financial institution's customer identification program.

HB 99 / HB 1106 High-occupancy vehicle (HOV) lanes. Allows vehicles with clean fuel plates to use the HOV lanes after the July 1, 2006, "sunset" regardless of the number of their occupants. The provisions of the bill end if found to contravene federal law.

HB 220 Mechanic's lien. Increases the maximum lien for repairs or alterations made at the request of the owner of the boat, aircraft, or vehicle that the keeper of the garage, hanger or marina shall have from \$625 to \$800.

HB 540 / SB 235 Seat Belts. Primary seat belt law. Removes the provision that a citation for a violation of the seat belt law may not be issued unless the officer has another reason to stop the vehicle or arrest the driver.

HB 697 Event data recorders; vehicle manufacturers; disclosure. Requires a manufacturer of a new motor vehicle sold or leased in the Commonwealth that is equipped with one or more recording devices, commonly referred to as "event data recorders" (EDR) or "sensing and diagnostic modules" (SDM), to disclose that fact in the owner's manual for the vehicle. The bill would prohibit specified data that is recorded on a recording device from being downloaded or otherwise retrieved by a person other than the registered owner of the motor vehicle, except under specified circumstances. The bill would also require a subscription service agreement to disclose that specified information may be recorded or transmitted as part of the subscription service. The bill applies to all motor vehicles manufactured on or after July 1, 2004.

HB 864 Workers' compensation; lien by employer on settlement or verdict. Provides that an employer's payment of workers' compensation benefits creates not only a subrogation interest, but an actual lien against any proceeds obtained by verdict or settlement from a third party or recovered pursuant to the uninsured or underinsured motorist provisions of a motor vehicle insurance policy carried by the employer. Under current law, the employer has a subrogation interest in a recovery by the employee against a third party that it must enforce independently or perfect prior to verdict. The bill also provides that where the employer must sue to recover on its lien, it is not required to pay the employee's cost of defending the suit.

HB 887 Emissions inspections; hybrid vehicles. Exempts qualified hybrid vehicles from the motor vehicle emissions inspection program.

HB 1064 / HB 1065 / HB 1134 / SB 378 / SB 392 Estate tax; Several bills take approaches from eliminating the estate tax entirely to exempting all estates where the majority of assets are an interest in a closely held business, including working farms, and all estates where the gross estate is worth \$10 million or less.

HB 1235 Motor Vehicle Warranty Enforcement Act; civil actions; standards for reasonable attorney's fees. Provides factors that a court must take into account in determining whether attorney's fees are reasonable in an action brought for violation of the Motor Vehicle Warranty Enforcement Act.

The WANADA Bulletin will offer regular updates and summaries of actions taken by both the Virginia and Maryland General Assemblies.

WANADA SPECIAL BULLETIN!**DC DMV Certification of Safety Inspections Now Must Accompany Tag Work on All Used Car Sales in DC**

The following special bulletin was sent to all WANADA dealer members on January 28, 2004:

The DC DMV notified WANADA this week that a recent reinterpretation of the law with regard to processing tag and title work in DC on used cars has caused the Department of Motor Vehicles to require dealers to present proof of inspection prior to tags being processed. This is a departure from the longstanding public policy which was in place prior to this legal review, where dealers could obtain tags for DC customers without proof of inspection, putting the onus on the customer to get his or her vehicle inspected after tags and title were processed.

Because DC DMV did not provide adequate notice of their change in direction on this, they have offered to work through tag processing hardships a dealer and his customer may be experiencing as well as being willing to make it clear to the customer, in writing, that the change in public policy is not the fault of the selling dealer for any inconvenience caused.

WANADA dealers with issues can call Lucinda Baber at (202) 724-2034 for special handling. Moreover, the dealer window at DC DMV will accept up to seven (7) tag and title applications per day as opposed to the limit of three (3) that has been their practice. The dealer expanded window policy will be in place until Wednesday, February 11th.

WANADA has a meeting scheduled with DC DMV Director Anne Witt on Friday, February 6 to discuss approaches to this situation given the difficult logistics of getting a used car inspected prior to tag processing through the centralized DC inspection station.

Anyone with input on this matter is asked to e-mail Gerard Murphy at gm@wanada.org, or call (202) 237-7200.

Dealers are reminded of their option to process title-only transactions and have the customer handle his own inspection and tags, much the same as the customer who owes the city a debt when tags are held back for that reason.

All will be advised of further developments.

OSHA Offers Online Help To Businesses The Occupational Safety and Health Administration now has two online tools to help businesses with compliance. Both are at www.osha.gov. Click on MyOSHA to create personalized links to most-needed information. MyOSHA includes a tutorial for new users and e-Tips on the agency and its Website. The Quick Start option offers step-by-step guidance on requirements that apply to specific workplaces. These requirements cover record keeping and reporting, and assistance and resources for developing a comprehensive safety and health program. Quick Start offers options for General Industry and OSHA-approved State Programs. For a specific indexed list of subjects, business users should go to www.osha-slc.gov/dcsp/smallbusiness/index.html.

Thought for the Week...

Winter is not a season, it's an occupation.

—Sinclair Lewis