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The good, bad and ugly of the American Taxpayer Relief Act

The federal budget and debt problems are a long way from being resolved, but we didn't go over the fiscal cliff. That's due to the American Taxpayer Relief Act, the name given to the law which avoided the cliff, passed as it was on New Year's Day, a national holiday.

Significantly, there's no sequestration, a big deal for federal civil servants who otherwise would have been faced with job furloughs commencing this month. Dealers and other small business people also avoided the cliff insofar as current estate tax provisions remain substantially

preserved and indexed for inflation. And, dealers should be pleased overall with the outcome on the estate tax and the Alternative Minimum Tax (AMT).

Highlights of the 100-plus-page bill passed on New Year's Day are as follows:

Capital gains and dividends

Capital gains and dividends will be taxed at 20 percent (up from 15 percent) for individuals earning more than \$400,000 and couples earning more than \$450,000. The rate will remain at 15 percent for everyone else below the aforementioned thresholds. Without the bill, the 20 percent rate would have applied to all but the lowest-income taxpayers.

Alternative minimum tax

The bill increases the exemption amount for the AMT and permanently indexes it for inflation. The exemption for 2012 is \$50,600 for single filers and \$78,750 for married taxpayers filing jointly. These exemptions will



Lawmakers weren't happy to be in Washington voting on the tax bill over New Year's but it was required to avoid the fiscal cliff.

increase for inflation in 2013. Relief from AMT for nonrefundable personal credits is retained. The AMT would have applied to *many* more taxpayers without this action.

“The future of the AMT could be decided later this year or next year if Congress tackles comprehensive tax reform,” according to CCH, a tax accounting and audit group. Some lawmakers have proposed abolishing the AMT. President Obama has in the past proposed replacing at least part of the AMT with the so-called Buffett Rule, under which taxpayers making more than \$1 million in a year would pay an effective tax rate of at least 30 percent.



Estate and gift tax

The maximum estate tax rises to 40 percent (from 35 percent) and is *permanently* set at a \$5 million per spouse exemption, indexed for inflation. The estate tax was almost a deal-breaker in the Senate, says CCH, because Republicans wanted complete repeal and President Obama wanted a 45 percent rate with a \$3.5 million exemption. Without Congressional action, the tax would have risen to 55 percent with a \$1 million exemption.

Bonus depreciation

The 50 percent bonus depreciation was extended for 2013. That should boost sales of business-use vehicles and help dealers buy equipment for their stores.

There was no grand bargain. Congress once again has left that for another day. But deadlines are looming: In February, lawmakers must discuss raising the nation's debt limit, and both sides are girding for battle again. Sequestration, the drastic across-the-board spending cuts in federal programs, has been postponed, but only until March. Congress and the White House agreed to find \$24 billion to pay for the two-month delay, so federal agencies are expecting cuts before March. No one knows how any of that might affect area car-purchase intentions.

The Payroll Tax Holiday

The payroll tax holiday ended December 31, 2012 and the employee's portion of FICA withholding is now returned to 6.2 percent. The Medicare rate of 1.45 percent is unchanged as is the employer's portion of both.

Interesting times, indeed.

Thanks to the CCH Tax Briefing on the act, the Journal of Accountancy, NADA and the Washington Post for providing information for this article. No information here should be construed as tax advice. Check with your accountant for more details.

15.3 million sales in 2013; 16 million by 2015 – R.L. Polk

New-vehicle registrations are expected to rise 6.6 percent this year to 15.3 million, says WANADA's automotive research and marketing firm R.L. Polk. The higher numbers will be driven partly by the improving economy and partly by a slew of new models – 43 new vehicle introductions and 60 redesigns.

“The auto sector is likely to continue to be one of the key sectors that lead the U.S. economic recovery,” said Anthony Pratt, director of Forecasting for the Americas at Polk. “However, we don't expect to realize pre-recession levels in the 17 million vehicle range for many years.”

Here are some segments to watch in 2013:

Large pickup trucks: This segment declined in the past five years but will likely grow this year, with several new launches planned by GM, Toyota and Ford. The improving market for new housing starts should help the segment grow, as more construction trucks are needed.



Midsize sedans like the Ford Fusion will continue to dominate the market.

Midsize sedans: These cars make up more than 18.5 percent of the market, making it the largest segment. Thanks in part to recent redesigns of nearly every vehicle in the segment, Polk expects it to continue to grow.

Luxury vehicles: Compact sedans, currently 2.9 percent of the market, will see many new launches. And if gas prices continue to drop, the small luxury crossover segment should continue to grow.

Compact/subcompact cars: Several new models will be introduced this year. Growth should be spurred by more stringent CAFE requirements and an increase in young, first-time buyers.

Hybrids: Despite the CAFE requirements, Polk expects this segment to grow only slightly from its 2.9 percent mark. Hybrids remain substantially more expensive than gasoline cars, many of which now get very good mileage.

R. L. Polk is WANADA's longtime new vehicle registrations reporting service from which The (Washington) Area Report on sales is compiled.



The western part of the region will be better for auto commuters.

Fewer area jobs within a 45-minute drive by 2040

A new report from the Transportation Planning Board (TPB) suggests not just worsening congestion by 2040 (no surprise there), but that the number of jobs accessible within a 45-minute drive for the average resident will drop by 72,000. Currently, 1.3 million jobs can be reached by car in that time. The TPB is part of the Metropolitan Washington Council of Governments.

The good news is, TPB expects 1.1 million new jobs by 2040. Many commuters will take transit, as the number of jobs accessible within 45 minutes by that means will

increase by 80,000. But the average resident will still be able to access almost two and a half times as many jobs by car.

Driving accessibility will differ greatly by region, with greater losses in the eastern part of the region. In Prince George’s County, MD, more than half the population lives in areas where at least 300,000 fewer jobs will be reasonably accessible by car. But in Fairfax County, VA, residents should be able to reasonably drive to at least 100,000 *more* jobs in 2040 than today.

One reason for the disparity: Loudoun, Fairfax and Prince William Counties in Northern Virginia are expected to add more than 300,000 more jobs by 2040 than Prince George’s and Charles Counties in the Maryland suburbs.

Ed Mullaney joins WANADA staff as senior insurance advisor



Ed Mullaney

WANADA welcomes to its staff Ed Mullaney, who sits in the newly created position of senior insurance advisor. Ed’s most recent position was with a for-profit employee benefits agency in Bethesda, Md., where he worked for more than five years.

A native Washingtonian who grew up here, he has an extensive work history with many different insurance carriers in both the employee benefits and property and casualty insurance areas.

“We are extremely pleased to be adding a seasoned professional like Ed to our insurance operation as ObamaCare is set to take hold,” says WANADA executive vice president John O’Donnell.

Ed has extensive experience with what is shaping up to be the Patient Protection and Affordable Care Act (PPACA), a.k.a. ObamaCare. He will spend a good portion of his time guiding WANADA dealer employees through the new law. More particularly, he will be helping dealers navigate the oftentimes unsettled aspects of what's in place now with ObamaCare and what will be put in place in the future, especially state or federal exchanges that will start operating in 2014. DC and Maryland are currently working to set up ObamaCare exchanges, while Virginia Gov. Bob McDonnell has said that the Commonwealth should simply have the federal government organize its exchange per the PPACA law.

Ed will also be responsible for the day-to-day employee benefits work for the dealers who currently use WANADA as their benefits/insurance consultant. He can be reached at the WANADA office at 202.237.7200, x 31 or em@wanada.org.

AutoTrader.com Day is Friday, Feb. 1, at Auto Show

The Washington Auto Show welcomes back longtime sponsor AutoTrader.com by offering \$4.00 off all tickets on AutoTrader.com Day, Friday, February 1, 2013, the first of the show's public days. The exhibit from AutoTrader.com/Kelly Blue Book, will be on the first level of the Walter E. Washington Convention Center across from the Advanced Technology SuperHighway.

Showgoers can get answers to car-buying questions from brand ambassadors and explore new, interactive in-booth technologies that will acquaint them with features available from AutoTrader.com and KBB.com. Booth visitors can try to match cars and features with motion-sensored screens or test their skills to find their perfect car with the New Car Challenge game. Patrons can also enter for a chance to win a grand prize giveaway, a \$500 Visa gift card.

AutoTrader.com, "The Ultimate Automotive Marketplace," is the Internet's leading provider of new and used car listings and consumer automotive information. It aggregates in a single location more than 3.4 million new, used and certified pre-owned cars from more than 25,000 auto dealers and nearly 400,000 private sellers. The site is the leading online resource for auto dealers, individuals and manufacturers to advertise and market their vehicles to in-market shoppers. Kelley Blue Book, (www.kbb.com), "The Trusted Resource," is the leading vehicle valuation and information source, trusted and relied upon by both consumers and the industry.

WANADA and NADA to present Town Hall Meeting for mutual Washington area dealer members, Jan 23

Dealership principals and key executives from WANADA member organizations are cordially invited to NADA headquarters for a first hand overview of NADA's government relations, industry relations and dealer operations programming presented by senior association staff in each area. WANADA's NADA director, Tamara Darvish, DARCARs, is hosting the event scheduled for Wednesday, Jan. 23, 2013, between 10:00 am and noon at the NADA building, 8400 Westpark Drive, McLean, VA.

This unique conference will provide WANADA dealers the opportunity to get the latest information on NADA's representation of dealers nationwide before the federal government and the industry, along with what NADA offers members in terms of its vast array of dealer services and educational programming – all of which comes with WANADA's input and full support.

[Click here](#) for an agenda outlining the conference for which WANADA members can register by contacting Kristina Henry at 202-237-7200 or kh@wanada.org. Sign up *today* for what promises to be a highly informative and valuable conference on the full range of activities and resources available from your national association!

Staying Ahead

One of the main concerns is, where do we go from here?

--Elijah Cummings (D-Md.)