

# THE WANADA BULLETIN

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

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Researchers measure vehicle quality, satisfaction, retained value

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## Employers cannot use pre-tax payroll deductions to fund employee health coverage they don't sponsor

According to the IRS, the only acceptable way to take payroll deductions from staff on a pre-tax basis for health coverage is when it goes to fund the employer sponsored health plan. The Affordable Care Act (ACA) *does not permit* employers doing pre-tax payroll deductions on health care coverage funding for employees with coverage outside the company's health care plan; either by funding it through an outside vendor, or returning it in cash to the employee for him or her to do so.

The prohibition about using pre-tax payroll deductions to fund outside of individual employee health care coverage also applies to coverage obtained through an ACA state exchange, or a federal exchange operating through a state.

The IRS says on its website, "such an arrangement fails to satisfy the market reforms and may be subject to a \$100/day excise tax per applicable employee" (which is \$36,500 per year, per employee).

For further information, contact Ed Mullaney at WANADA, 202-237-7200, or [em@wanada.org](mailto:em@wanada.org).



The IRS will fine employers who give pre-tax dollars to employees from their paychecks to buy health insurance elsewhere.

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## Researchers measure vehicle quality, satisfaction, retained value Top honors: Porsche, MB S-Class, Lincoln, GMC, Honda & Acura, respectively

Three recent surveys have measured vehicle value, each from a different slant: the J.D. Power Initial Quality Study, AutoPacific's Vehicle Satisfaction Awards and Edmunds.com's Best Retained Value Awards.

The **J.D. Power Initial Quality Study** found that problems have increased in the first 90 days of new-vehicle ownership as automakers have introduced more sophisticated technology.

"Automakers are trying to give consumers the new features and technology they want without introducing additional quality problems into their vehicles," said David Sargent, vice president of global automotive at J.D. Power. "However, almost all automakers are struggling to do this flawlessly, with some consumers indicating that the technology is hard to understand, difficult to use or simply does not always work as designed."

For the second year running, Porsche ranked highest in initial quality among all nameplates, followed by Jaguar, Lexus and Hyundai. The fewer problems owners experience with their vehicle, the greater their loyalty to the brand.

In the **AutoPacific Vehicle Satisfaction Awards**, Lincoln was chosen as the top premium brand and GMC as the top popular brand. The results are based on responses from more than 92,000 new-vehicle owners. The vehicle with the highest overall satisfaction is the Mercedes-Benz S-Class, which also received the highest VSA score ever. The truck with the highest score was the BMW X5 Premium Luxury Crossover SUV. Brands with the most award winners were Chevrolet, with four, and Lincoln, with three.

Honda and Acura won the top awards in **Edmunds.com's Best Retained Value Awards**. The awards recognize the brands and models with the highest projected residual value after five years, based on their average True Market Value price during their first five months on the market. Honda won in the non-luxury division with a projected 50.1 percent residual value after five years, and Acura won with a projected 45.5 percent residual value.

## Congress repeals dealer requirement to certify CAA devices



Dealers no longer need to give customers a form certifying compliance with the Clean Air Act upon delivery of a new vehicle.

President Obama has signed into law an NADA-backed bipartisan bill unanimously passed by Congress earlier this month that repeals a 1977 mandate requiring dealers to give new-vehicle buyers a form certifying compliance with the Clean Air Act. The certification, required for new vehicles only, was found to be no longer needed with disclosures in the owner's manuals and under-hood stickers of light-duty vehicles.

The certification law and the rule implementing it, which, along with the rule, was revised in 1981, provided that: (1) based on written notification from the manufacturer, the dealer knows the vehicle is covered by an EPA Certificate of Conformity; (2) based on a visual inspection of emissions control devices, there are no apparent

deficiencies in their installation by the manufacturer; and (3) the dealer has performed all

emission control system preparation required by the manufacturer before sale of the vehicle. The certification disclosure also stated that it "...should not be construed as a warranty."

For questions on the repeal, call Michael Harrington in NADA's legislative office, (202) 547-5500, or NADA attorney Douglas Greenhaus, (703) 821-7040.

## It's official: U.S. now has more women drivers than men

More women – 51 percent – than men have U.S. driver's licenses now, according to a new report by Frost & Sullivan. And 80 percent of car buying decisions are influenced by women, says the company's partner and global director Sarwant Singh.

"When buying a new car, women are practical, but they also tend to associate the purchase with aspirations of freedom and independence," says Singh. This means all car categories will be more personalized, and we will see more customized small city cars.

"Women prefer small and more maneuverable vehicles, but they also give importance to design, spaciousness, safety, quality of materials, color and sustainability," Singh says. They like options like park assist, clear lighting for gas, easy access, and integrated systems for mobile devices and entertainment. Singh says that in a few years women will favor cars with advanced systems such as autonomous driving.

Although women don't generally associate themselves with a brand, color or car type such as sedan -- there is a difference in their attitude toward luxury brands: There, women are more susceptible than men to celebrity endorsements.



In a few years, women will likely favor vehicles with advanced systems, such as autonomous driving.

## Ford Escape, Edge are most stolen in SUV/CUV categories

Ford models took the top three spots for the most stolen SUVs and crossovers in a recent study by the National Insurance Crime Bureau. From 2010 to 2013, the five most stolen makes and models were the Escape, Edge, Explorer, Jeep Grand Cherokee and Kia Sorento. Both Maryland (11th) and Virginia (15<sup>th</sup>) had the dubious distinction of being in the top twenty when states are listed by number of thefts. DC came in at 32<sup>nd</sup> place. No attempt was made to weight states by population. The top five were California, Florida, Michigan, Texas and New York.

## Car shoppers rate safety features as "must-have" technologies

USB/auxiliary ports are the number one "must-have" technology, rated by 43 percent of car shoppers in a recent survey by Kelley Blue Book; vehicle diagnostics are second; Bluetooth and a premium sound system are fourth and fifth. But safety and information features – back-up/blind spot cameras, recall advisor, stolen vehicle recovery and collision sensors – dominated the top 10.

The survey found that 39 percent of consumers choose a model based on its available in-vehicle technology, including *infotainment* and navigation. “Although a vehicle’s *infotainment* system is not the main draw for a shopper, it can be the deal maker or deal breaker,” especially for younger buyers, said Arthur Henry, analyst for Kelley Blue Book’s KBB.com.

## Highway bill talks in Congress urgent, but at a standstill



More than half of Americans say they are willing to pay a higher gas tax to fund the nation’s transportation needs.

When it comes to highway funding, everyone agrees on the problem, but no one can agree on the fix. The Transportation Department says the Highway Trust Fund will run out of money in August. The nation’s infrastructure got a grade of “D” from the American Society of Civil Engineers in its most recent rating. The gas tax, which traditionally has supplied the Highway Trust Fund with money, has not been raised in 20 years. The American Automobile Association and the U.S. Chamber of Commerce are among those that have called for an increase in the gas tax.

Sen. Bob Corker (R-Tenn.) and Sen. Chris Murphy (D-Conn.) have proposed raising the gas tax by 6 cents a gallon over two years, then indexing it to inflation. They said the measure would raise \$164 billion in two years.

Sen. Barbara Boxer (D-Calif.), chairman of the Senate Environment and Public Works Committee, issued a strong warning that the Fund faces a “mayday situation” and said urgent action is needed. She urged passage of the \$265 billion transportation bill passed by her committee – but Congress would need to find the money to pay for it.

With no agreement on long-term funding, Sen. Ron Wyden (D-Ore.), chairman of the Senate Finance Committee, has said he will push for a three-month, \$9 billion stopgap measure that would pick up when the current transportation bill ends and fund infrastructure needs until December 31.

The House has looked at various funding options, including one to end Saturday mail delivery, an idea that was pulled for lack of support.

A survey by the AAA found that Americans are willing to pay more for transportation and that they would vote for a member of Congress who supports increased transportation funding. More than half of respondents said they would be willing to pay a higher gas tax.

## Little change seen in automaker share; Ford, Honda to gain

Automakers will introduce 192 new products for model years 2015 through 2018, an average of 48 a year, says Bank of America analyst John Murphy in his recent *Car Wars* report. They will be weighted toward lights trucks and crossovers, bringing those segments to more than half the market. They made up 45 percent of the market in the past 10 years.

U.S. market share among automakers will see little change, but Murphy expects Ford and Honda to each gain half a point of share by 2018 – to 16.2 percent for Ford and 10.3 percent for Honda.

The main reason for the optimism about Ford: It will add 16 new models in North America this year and replace 111 percent of its products over the next four years. Of particular note in the next year are the aluminum F-150, which is 700 pounds lighter than its steel predecessor, and the Edge compact crossover, introduced to the press last week, and bound for showrooms in early 2015. Coming from Honda: a 2015 TLX sedan, a 2016 Pilot SUV and a new 2017 Odyssey minivan.

Murphy expects Chrysler's share to stay at 11.5 percent, Europeans to drop slightly and Nissan, with no clear product plan, to drop from 8 percent to 7.8 percent.

## Ford investigates new use for old tomato skins

Ah summer! When big, juicy tomatoes are in season, ready to top your hamburger, grace your salad, or be made into wiring brackets for your car.

Yes, that's right: *tomatoes to make wiring products*. But tomatoes are part of Ford's latest sustainability initiative. Researchers at Ford and Heinz Company are investigating the use of tomato fibers in developing sustainable, composite materials for use in vehicle manufacturing. Dried tomato skins, once cooked and combined with polypropylene, could become the wiring brackets in a vehicle, or the storage bin the driver uses to hold coins.

"Our goal is to develop a strong, lightweight material that meets our vehicle requirements, while at the same time reducing our overall environmental impact," said Ellen Lee, plastics research technical specialist for Ford.

The material isn't strong enough for structural applications, and it isn't much to look at. But it could be used for under-hood plastics and shields in the underbody, says [TheDetroitBureau.com](http://TheDetroitBureau.com).

### Staying Ahead...

Today is a gift from God: That's why it's called "the present."

--Cleve McClary.

Inspirationalist *extraordinaire*

at this week's VADA Convention