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Happy July 4th !

With the High Court upholding ObamaCare, the scramble is on to figure it out

The first signs of fallout come to light

“Let’s pass it, and then read what’s in it,” then Speaker Pelosi said of The Affordable Health Care Act (ACA) when it successfully passed Congress in 2009 to become President Obama’s signature accomplishment. And with the United States Supreme Court yesterday upholding ACA’s constitutionality the dust is settling, perhaps, but the fallout on the new law’s meaning, breath, and implementation looms large, complicated in no small part with election season posturing by Democrats and Republicans vying for the presidency and control of Congress in 2013.

Right out of the box it appears that employers will need to take actions ahead of the ACA’s January 1, 2014 implementation date.

Come January 1, 2013, for instance, the Medicare payroll tax is poised to increase by 0.9% on “high-income earners;” and a 3.8% tax on net investment income of the same “high-income earners” is going to go into effect. These measures will be known as the “Medicare Contribution Tax,” coming about as a direct result of ACA’s implementation.

Right now, the Medicare tax on salary and/or self-employment (SE) income is 2.9%. If you're an employee, 1.45% is withheld from your paycheck, and the other 1.45% is paid by your employer. If you're self-employed, you pay the whole 2.9% yourself.

Starting in 2013, an extra 0.9% Medicare tax will be charged on: (1) salary and/or SE income above \$200,000 for an unmarried individual, (2) combined salary and/or SE income above

\$250,000 for a married joint-filing couple, and (3) salary and/or SE income above \$125,000 for those who use married filing separate status. For self-employed individuals, the additional 0.9% Medicare tax hit will come in the form of a higher SE bill.

Starting in 2013, the maximum rate on long-term gains is scheduled to go from 15% to 20% and the maximum rate on dividends is scheduled to increase to 39.6% as the so-called Bush tax cuts expire.

With the aforementioned "Medicare Contribution Tax," planned for high income taxpayers, their maximum federal rate on long-term gains for 2013 and beyond will actually be 23.8% (versus the current 15%) and the maximum rate on dividends will be 43.4% (versus the current 15%).

The additional 3.8% Medicare tax will not apply unless adjusted gross income (AGI) exceeds: (1) \$200,000 for singles, (2) \$250,000 for married joint-filers, or (3) \$125,000 for married filing separate status.

There will be a new limit on flexible spending accounts, with employees limited to \$2,500 each, and the medical expense deduction floor increases to 10% from 7.5%.

Features of the ACA that are beginning to be discussed and analyzed by the news media and others are as follows:

- The employer mandate and individual mandate
- Employer and insurer reporting requirements
- New health insurance market reforms
- Establishment of state health insurance Exchanges for individuals
- Premium tax credits and cost-sharing subsidies for certain individuals in Exchange insurance products
- Medicaid expansion to new populations (100% federal match to states for newly-eligible populations through 2016)
- Annual fees on health insurers
- Independent Payment Advisory Board (IPAB) reports to Congress if Medicare spending exceeds the growth target.

Political fallout in the wake of the Supreme Court's ACA ruling includes the announcement by House Majority Leader Eric Cantor (R-VA) that the House will vote on legislation to repeal the ACA *in its entirety* as early as July 11. That vote will be largely symbolic, however, as it is unlikely to advance in the Democratic-controlled Senate. Indeed, efforts to repeal all or part of the law will be difficult unless Republicans maintain control of the House, win the presidency, and gain a majority in the Senate in the November 2012 elections.

Commenting on the Supreme Court ruling, NADA Chairman Bill Underiner said it will have a negative impact on U.S. dealers. "The resources that dealers must put toward meeting these new health care mandates prevent them from growing their businesses and in many cases will hinder their ability to offer quality health care plans to their employees," he said. The average new car dealership employs 53 people and earned pre-tax income of \$785,000 last year, NADA says.

U.S. appeals court upholds 2012-16 fuel standards

House panel again challenges latter year standards

The Obama administration's efforts to limit greenhouse gas emissions, including setting 2012-16 fuel-efficiency standards and tailpipe standards, has been upheld by The U.S. Court of Appeals for the District of Columbia.

The federal appeals court this week dismissed challenges to the law brought by Texas and other states as well as the chemical, energy, utility, agriculture and mining industries, and the National Association of Manufacturers.

The appellate action paves the way for the administration to finalize the 2017-25 fuel-efficiency standards and greenhouse gas emissions limits by August. The rules will hike new vehicle standards to 54.5 mpg by 2025.

The Alliance of Automobile Manufacturers, representing ten major OEMs, had backed the administration originally, but is now raising serious concerns about future fuel economy standards. "We supported upholding 2012-16, since we are already building more fuel-efficient autos to meet these standards," said spokeswoman Gloria Bergquist.

The court rejected claims the EPA didn't do enough to reach its findings, and said the agency's findings were "unambiguously correct."

"EPA simply did here what it and other decision makers often must do to make a science-based judgment: It sought out and reviewed existing scientific evidence to determine whether a particular finding was warranted," the court found. "This is how science works. EPA is not required to re-prove the existence of the atom every time it approaches a scientific question," the court concluded.

Meanwhile, the House Appropriations Committee this week voted to bar the Environmental Protection Agency from setting vehicle tailpipe emissions limits for the 2017-25 model years, or allowing California to set its own rules. Whether the Senate goes along with this plan remains to be seen with the political gridlock that has characterized Capitol Hill for the past three years. The same measure coming over from the House to the Senate last year at this time failed, the principle predicate of which would leave NHTSA *alone* in charge of tail pipe emission rules.

NADA has lead dealer support of this measure, noting that it "shows continued bipartisan concern over how people can afford the big jump in car prices as part of the 2025 regulations."

Virginia dealers reminded to pay full Maryland processing fees

Virginia dealers are reminded that when they sell a vehicle to a Maryland resident, they must collect the six percent tax on the full processing fee charged to the customer and that this 6% tax must be submitted to the Maryland MVA along with the excise tax on the vehicle.

Maryland MVA manager Brenda Scheydt sent a notice this week reminding Virginia dealers of this requirement in the wake of a recent Attorney General Advice of Counsel on the collection of excise tax by a Virginia dealer. She notes in her Bulletin that the freight charges and any

aftermarket products authorized by the purchaser must be included in the taxable selling price of the vehicle.

Dealers with questions on this requirement are asked to contact MVA's Kevin Gamble at (410) 768-7035 or kgamble@mva.maryland.gov

NADA and finance source leaders meet

NADA and the American Financial Services Association (AFSA) met on Wednesday, of last week (June 20), for their yearly vehicle financing executive forum at NADA Headquarters in McLean, Va. The event brought together CEOs and other senior officials from virtually every major finance company and bank in the nation engaged in indirect auto finance as well as the leaders of the nation's franchised automobile dealers (including NADA Chairman Bill Underriner and Vice Chairman Dave Westcott) to discuss the significant issues currently facing the industry. All told, 20 financial institutions participated as did representatives of AIADA, NAMAD and the Automotive Trade Associations Network (ATAE).

The dominant area of concern expressed throughout the meeting was the challenging regulatory environment facing both dealers and their finance sources. The attendees discussed ways to respond to this challenge and educational initiatives that may aid in this process. In addition, significant attention was devoted to both technological innovations (including e-contracting) that may assist the industry operationally and other ways to enhance the efficiency of the indirect lending model. All in attendance recognized the significant value of this collaborative effort, and plans are already underway for the 2013 NADA/AFSA Executive Forum.

eBay Motors launches "reverse auto auctions"

A branch of the online trading network, eBay Motors, is teaming up with AutoNation to find new ways to sell cars over the internet. In March of this year eBay Motors tried selling vehicles for half price on its auction site. This weekend (June 29 through July 2) eBay Motors and AutoNation will offer certain vehicles for sale in a "reverse auction" where the price will drop every hour until each vehicle is sold.

2012 Nissan Rogue SV w/SL Pkg (...

MECHANICAL
 • 2.5L DOHC SMPI 16-valve I4 engine
 • 4-w ...



Current Price:
US \$28,108
 Starting Price:
 US \$28,108
 Current Savings:
 US \$0

[View item](#)



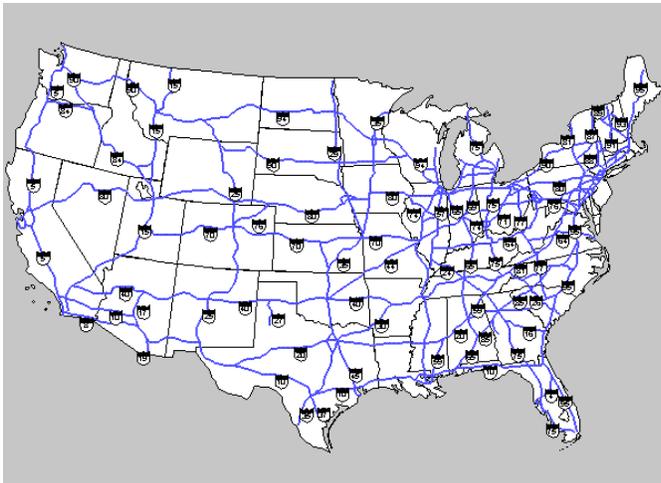
The reverse auctions began at 12:00 PM EST *today*, June 29, and will run through 8:00 PM/EST on Monday, July 2. Each day about 10 vehicles will be posted for sale with an initial Buy-it-Now price that matches their MSRP. Every hour their prices will drop according to a list of prices that accompanies each auction. A 2012 Nissan Rogue that kicks off the promotion, for instance, is dropping by \$500 per hour. There is no limit to how far prices can drop, nor a reserve they need to stay above.

AutoNation is selling vehicles from nearly every manufacturer including vehicles from Chevrolet, Dodge, Ford, Jeep, Nissan and Toyota, and popular models like the Camaro, Mustang, F-150, Fusion, Challenger, Charger, Wrangler, Prius C, Camry and more. All of the 50-some vehicles being sold are still under factory warranty.

U.S. Interstate highway system launched 56 years ago

Auto sales boom followed

With the promise of connecting Americans by multi-lane, non-congested highways, and inspired by Germany's use of autobahns for troop movement during World War II, President Dwight D. Eisenhower signed the Federal Aid Highway Act of 1956. It was called "the greatest public works program in the history of the world."



The new law poured \$33 billion (about \$265 billion in 2012 dollars) into overhauling the country's roadways that created an economic boom, particularly for the U.S. auto industry.

Before the act, U.S. highways were narrow, meandering, stop-and-start affairs that went through big cities and small towns. After the act, interstate travel was defined by the massive, multi-laned, high-speed funnels we know today. "When we get these thruways across the whole country, as we will and must," wrote John

Steinbeck in his 1962 book, *Travels With Charley*, "it will be possible to drive from New York to California without seeing a single thing."

Small towns that were bypassed by the highways withered and died. New towns flourished around exits. Fast food and motel franchises sprung up and replaced small businesses. And, of course, trucks supplanted trains for shipping goods cross-country. This was not foreseen by the interstate system's designers, and old forms of traffic congestion gave way to new.

"More than any single action by the government since the end of the war, this one would change the face of America," said Eisenhower in 1963.

An election season reflection...

A politician should be judged by the animosities he excites among his opponents.

--Winston Churchill