

THE WANADA BULLETIN

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

WANADA Celebrating 100 Years of Service (1917-2017)

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Headlines...

WANADA Annual Meeting Nov. 17 at Ritz/Tysons

House Republicans release business-friendly tax reform bill

Trump signs bill blocking CFPB from banning class action waivers

October new vehicle sales fall 1.1%, but still better than expected; incentives high

Trump administration drops vehicle-to-vehicle communication mandate

EV market to grow rapidly in next 12 years, study says

Staying Ahead...

WANADA Annual Member Luncheon coming up, Nov. 17 Ritz/Tysons Fox News Anchor Bret Baier to keynote



Bret Baier, Fox News
Anchor

There has been strong response to attend WANADA's Annual Meeting of the Membership and Luncheon on Friday, Nov. 17 at the Ritz-Carlton/Tysons Corner. Popular Fox News anchor Bret Baier will be the luncheon speaker, offering his insights on the Washington scene and American politics. Baier joined Fox in 1998 and has reported from Iraq and Afghanistan and interviewed major figures ranging from George W. Bush and Barack Obama to the Dalai Lama.

Before Baier's lunch remarks, the Annual Meeting will include a state of the industry and regional automobile business report from WANADA's chairman, Charles Stringfellow. Members will also elect WANADA's 2018 Board of Directors.

New this year is a "Fireside Chat" with Bret Baier. After his lunch presentation, Baier will stick around and conduct the *chat* in a room in the Ritz-Carlton with members who sign up for an extra fee of \$50 to attend this exclusive session. Only 40 tickets are offered on a *first come, first served* basis. Fireside Chat registrations were emailed to luncheon registrants starting Nov. 1.

WANADA members and luncheon guests who do not plan to attend the "Fireside Chat" are invited to attend the post-luncheon "Happy Hour," a great opportunity to mingle and network with other members, friends and associates. The "Happy Hour" will be held from 2:00 to 4:00 p.m. in the salon area just outside the ballroom where the luncheon takes place.

The Annual Meeting and Luncheon is jointly sponsored by Armatus; BG Products & Services; Councilor, Buchanan & Mitchell, and SunTrust. The Fireside Chat is sponsored by WellNet Healthcare. The post-luncheon "Happy Hour" is sponsored by Architects Group Practice and Buch Construction.

Please click [here](#) to register and pay by credit card or check (invoice).

House Republicans release business-friendly tax reform bill

NADA Legislative Affairs has been meeting extensively with the House Ways and Means Committee to advocate for dealer issues in the tax reform bill, and many of those issues are in the bill released last week. The bill is widely viewed as a boon to the business community, with the idea that helping business profitability will boost economic growth. The provisions important to dealers are listed below, with some caveats discussed afterward.



The House is working on an accelerated schedule to get tax reform passed by Thanksgiving. Photo by ttarasiuk © [Creative Commons](#).

- **Corporate rate:** Permanently reduced from 35 percent to 20 percent.
- **Expensing:** 100 percent expensing through Jan. 1, 2023.
- **Advertising deductibility:** No change.
- **LIFO:** No change.
- **Alternative minimum tax:** Repealed.
- **Estate tax:** Doubles the exemption for estates worth more than \$5.49 million for individuals and \$10.98 million for married couples to \$11 million and \$22 million, respectively. The tax is repealed after 2023.
- **Standard deduction:** Raises the standard deduction from \$5,350 to \$12,000 for individuals and from \$12,000 to \$24,000 for married couples.
- **Individual tax rates:** 12 percent up to \$90,000; 25 percent up to \$260,000; 35 percent up to \$1 million; \$39.6 percent above \$1 million.
- **Pass-throughs:** The bill would reduce the top pass-through rate to 25 percent, with important limits. Business owners could choose between: (1) the “70/30 proposal” where 70 percent of income is considered wage income – which would be taxed at the individual tax rate – and 30 percent as business income, which would be taxable at the 25 percent rate; or (2) a formula based on the facts and circumstances of their business to determine a capital percentage of greater than 30 percent.
- **Business interest deductibility:** 100 percent for businesses with average gross receipts of \$25 million or less. For other businesses, interest deductibility is disallowed for expenses more than 30 percent of the business’s taxable income.
- **Like-kind exchange:** LKEs would be limited to real property.
- **State and local taxes:** Repeals the state and local tax deduction except for property taxes up to \$10,000.
- **Electric vehicle tax credit:** Repeals the \$7,500 EV tax credit beginning Jan. 1, 2018.

Caveat #1: The process is far from over, and final passage won’t be easy. Trying to repeal Obamacare may look like a walk in the park by comparison.

Caveat #2: Some powerful lobbying groups have expressed strong opposition. The National Federation of Independent Business said it cannot support the bill in its current form. Although the bill would reduce the top pass-through rate to 25 percent, NFIB is unhappy with the limits, which it says mean the rate would not apply to all small business owners. The National

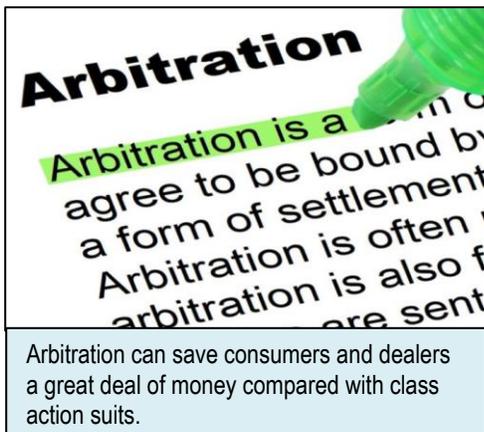
Association of Homebuilders and National Association of Realtors also planned to oppose the bill because of limits on the mortgage deduction.

Caveat #3: The plan would create a \$1.5 trillion deficit over 10 years. This may not be a problem politically, but it is a very big problem fiscally.

With all that said, the Republicans will work as hard as they can to make tax reform their first major legislative achievement this year. The House leadership is anxious to pass a bill by Thanksgiving, and President Trump – who has pushed for tax reform for many months – has said he wants to sign it by Christmas.

To get there, the House Ways and Means committee plans to begin considering the bill on Monday, Nov. 6. The Senate Finance Committee plans to release its tax bill later this week. NADA has been in touch with the chairman of the House Ways and Means Committee and will continue to work with the tax-writing committees to address problem areas and provide alternatives.

Trump signs bill blocking CFPB from banning class action waivers



President Trump has signed HJ Res. 111 permanently blocking the Consumer Financial Protection Board (CFPB) from enforcing its rule preventing the inclusion of class action waivers in arbitration agreements with consumers.

Although the CFPB does not have jurisdiction over franchised dealers, it does regulate financial institutions that provide auto leases and loans to dealership customers. Dealers were concerned that they would face indirect liability as a result of the master agreements they sign with finance and lease sources. See the article in [last week's Bulletin](#) for a closer look at the CFPB rule banning class action waivers in arbitration agreements

and the close vote in the Senate overturning the rule – so close that Vice President Pence had to break a tie.

The bill overturning the CFPB bill was opposed by veterans' groups. But it was applauded by the Consumer Bankers Association (CBA).

“The CFPB’s rule was never about protecting consumers; rather, it was about protecting trial lawyers and their wallets,” said CBA President and CEO Richard Hunt. The CFPB’s own study showed the average consumer receives about \$5,400 in cash relief when using arbitration and just \$32 through a class action suit, the CBA said. But the trial lawyers managing those cases received about \$424 million.

Several state and metro dealer associations, including WANADA, have followed the issue for many years and have worked with dealer attorney Mike Charapp of Charapp & Weiss, LLP, in McLean, VA, to overturn the CFPB rule.

October new vehicle sales fall 1.1%, but still better than expected; incentives high

Sales of new vehicles in the U.S. for October edged down 1.1 percent, but that was better than the 2 to 4 percent drop some analysts had forecast. The seasonally adjusted annual sales rate (SAAR) was the second highest this year, at 18.1 million.

As has been the case for several years, pickups and SUVs drove sales, and passenger cars lagged. Recent area WANADA reports have found that even in this traditionally car-dominant area, crossovers, SUVs and light trucks have outpaced cars.

High incentives also helped push sales. October incentives reached a near-record of \$3,372 per vehicle, Edmunds said. Average new-vehicle prices remained flat from a year ago, with an estimated average transaction price for light vehicles at \$35,263, according to Kelley Blue Book.



Toyota RAV4 sales jumped 30 percent last month – the type of sales activity that boosted overall SUV sales.

“Transaction prices continue to rise at a slower pace than we’ve seen recently,” said Tim Fleming, an analyst for Kelley Blue Book. “Flat transaction prices combined with ever-growing incentive spending signal headwinds for the new-vehicle market as 2017 nears its end.”

Trump administration drops vehicle-to-vehicle communication mandate

The Trump administration is dropping another auto industry mandate, though this one was supported by many automakers: an Obama-era mandate requiring that all new light vehicles be equipped with vehicle-to-vehicle communication (V2V) within four years.

V2V communication is widely seen as a safety measure and is strongly supported by the National Safety Council. The technology would allow cars to transmit their speed, location, direction and other information to each other while driving the same stretch of road. It is also seen as a necessary step to automated vehicles.

The administration did not announce the change. Rather, administration officials told a couple of auto industry executives that the mandate had been put on the back burner, according to the Associated Press. The move can be seen as part of the Trump administration’s deregulatory thrust. The Obama mandate, issued in December, is opposed by the cable and technology industries because they don’t want to cede bandwidth on the 5.9 GHz spectrum band for auto industry use.

The Washington Auto Show’s Mobility Talks International symposium for the industry will include sessions on V2V communication. Click [here](#) for more information, including registration.

EV market to grow rapidly in next 12 years, new study says

As much as half of the U.S. new light-vehicle market will be electrified vehicles by 2030, says a new study by Boston Consulting Group (BCG). That includes battery-electric vehicles and hybrids. The report was issued the same day as the Republican tax plan in Congress that

proposed eliminating the \$7,500 purchase incentive for EVs, so some development of battery-powered vehicles could be slowed.

But the trends are clear, according to the report. Technology, regulatory mandates and consumer cost of ownership will shape the changeover. Globally, BCG predicts that 50 percent of new vehicles will be electrified by 2030. Internal combustion engines (ICE) will continue to play a major but changing role in the industry, as most electrified vehicles over time will be hybrids.

From about 2020 to 2025, electrified vehicles – a mix of full hybrids, mild (48 volt) hybrids, plug-in hybrids and battery-powered EVs (BEVs) – will increase their share of the market as OEMs are forced to meet tightening fleetwide efficiency and emissions standards, principally by incentivizing sales of alternative fuel vehicles.

After 2025, falling battery prices and rising consumer demand based on total cost of ownership will drive rapidly increasing sales of all EVs, especially BEVs. By 2030, 20 percent of new light vehicles sold in the U.S. are expected to be BEVs. It helps that battery costs are falling further and faster than projected just a few years ago. Compact cars will be almost entirely electrically powered, while ICE vehicles will remain the primary powertrain for pickups.

Staying Ahead...

A wise and frugal government, which shall restrain men from injuring one another, shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned.

--Thomas Jefferson