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 set for Annual Meeting and Luncheon Nov. 17 at Ritz/Tysons
Dealer floorplan interest deductibility at risk in Senate tax bill!
Montgomery County Council passes $15 minimum wage 9-0
House and Senate tax bills: Their differences, and how they affect dealers
Ford is a computing company, not just for mobility, CEO says
Luxury market growing, thanks to entry-level vehicles, brand experience
Late October saw highest gasoline demand in 11 years
Staying Ahead…

WANADA set for Annual Meeting and Luncheon Nov. 17 at Ritz/Tysons

Bret Baier, Fox News anchor

Everything is ready for WANADA's Annual Membership Meeting and Luncheon *this 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.

Following a networking reception starting at 11:30 a.m., 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. Baier's remarks will follow and wrap up the meeting at about 1:50 p.m.

New this year is a "Fireside Chat" with Bret Baier. After his lunch presentation, Baier will remain after 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 dealer 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.

For more information, contact Kathy Teich at WANADA, 202-237-2700 or kt@wanada.org.

Dealer floorplan interest deductibility at risk in Senate tax bill!

The Senate Finance Committee is debating its version of tax reform this week. NADA has major concerns with the bill's limitation on the deductibility of business interest, including floorplan interest, to 30 percent of adjustable taxable income.

NADA urges dealers to call their senators *immediately* to urge the Senate Finance Committee Chairman Orrin Hatch (R-UT) to preserve deductibility of floorplan financing. The House bill, which the House is considering this week, preserves full floorplan deductibility. The Washington area senators on the Finance Committee are Ben Cardin (D-MD) at 202-224-4524 and Mark Warner (D-VA) at 202-224-2023.

Here are some reasons the Senate bill should preserve 100 percent deductibility of floorplan financing:

- Automobile dealers contribute 18 percent of total retail sales nationally, so limiting the deductibility of floorplan interest could reduce growth and threaten jobs. Reducing interest deductibility would worsen the negative economic consequence of any future downtown in the auto industry.
- Almost 90 percent of the nation's franchised dealerships are closely held companies. For them, floorplan financing is a necessity, not a choice. Without affordable floorplan loans, dealerships would not be able to finance sufficient inventory.
- The limitation on interest deductibility is apparently designed for companies that choose debt over equity for tax purposes, which is not the case for franchised auto dealerships. Most dealerships are family-owned small businesses and do not have access to public equity markets.

Any dealers who have questions on tax reform can call NADA's Legislative Affairs office at 202-547-5500.

Montgomery County Council passes $15 minimum wage bill 9-0

The Montgomery County Council unanimously approved a bill requiring that all county employers pay a minimum wage of $15 an hour by 2024, with an earlier phase-in for employers with 50 or more employees. County Executive Ike Leggett has said he will sign the legislation.

County employers with 51 or more employees must pay the new wage by 2021. Those with 11 to 50 employees have until 2023. Those with 10 or fewer employees must pay the $15 wage by 2024. The wage must periodically be adjusted for inflation.

Backers of Montgomery County's $15 minimum wage bill plan to take the fight to the statehouse.

An earlier version of the legislation with quicker phase-in passed in January 5-4 and was vetoed by Leggett. The changes in the timing persuaded all Council members and Leggett to back the amended version.

Montgomery County is the second jurisdiction in the region to pass a $15 minimum wage. In DC, the $15 minimum will start in 2020. Virginia employers pay the federal minimum wage of $7.25.

Backers of the Montgomery County minimum wage bill plan to take the cause to the Maryland General Assembly urging adoption statewide. Montgomery County is the only locality nationwide that has passed a $15 minimum wage before the state has, according to the *Washington Post*.

House and Senate tax bills: Their differences, and how they affect dealers

President Trump wants Congress to pass a tax bill for him to sign into law by Christmas. Photo by Bjoertvedt.

Both the House and Senate are determined to pass their tax bills before Thanksgiving. That would give them just until Christmas to hash out the differences between the two versions of a major piece of legislation that would affect tens of millions of citizens. President Trump has said he wants to sign a bill by Christmas.

The process will not be easy. A major tax overhaul has not passed Congress in more than 30 years. To pass the bill with a simple majority, and not the veto-proof margin required for most Senate legislation, the bill must add no more than $1.5 trillion to the deficit in the next 10 years. For some deficit watch dogs in Congress, that is still too much, and if they refuse to support the bill, they could kill it. Republicans have a slim majority in the Senate, and losing more than three supporters would defeat the legislation.

No Democrats are expected to vote in favor. But Republican leadership in Congress is determined to fulfill their campaign promise for tax reform, especially since it would be their first major legislative accomplishment this year.

Here are some provisions of particular interest to dealers:

Corporate rate: The Senate bill would take one year to cut the corporate tax rate from 35 to 20 percent; the House bill would cut it immediately. The delay would reduce the deficit resulting from the bill by about $100 billion, but is opposed by the White House.

Pass-throughs: Many dealerships – sole proprietorships, partnerships and S corporations – *pass through* their income to the individual owners, who then pay personal income tax on their earnings rather than corporate tax. The House bill would cut the top pass-through rate to 25 percent, with some important limits explained in last week's Bulletin. The Senate bill would allow the business owner to deduct some of the earnings and pay their personal income tax rate on the rest. That was enough of a reduction in rate to gain the support of the National Federation of Small Business.

Expensing: The House bill increases Section 179 small business expensing limits from $500,000 to $5 million per year and the phase-out from $2 million to $20 million.

Estate tax: The House bill doubles the exemption to $11 million for individual estates and to $22 million for married couples, and would abolish it completely after 2023. The Senate bill has the same exemptions but does not abolish the tax. A lot of commentary has pointed to the estate tax provision as evidence that the bill favors the very wealthy, which could create a political problem.

State and local taxes: The House bill ends deductions for state and local income and sales taxes and caps the property tax deduction at $10,000. The Senate bill eliminates the deductions. The provision could cost the support of Republican senators in high-tax states such as New York and New Jersey. Maryland is a fairly high tax state, but does not have any Republican senators.

Home mortgage interest deduction: The House bill would cap the deduction at $500,000; the Senate bill would keep it at $1 million. The powerful real estate lobby was ready to oppose the House version but supports the Senate one.

Electric vehicle tax credit: Both bills repeal the $7,500 tax credit as of Jan. 1, 2018. Although EVs are a small fraction of overall vehicle sales, repeal of the credit would likely have a major effect on EV sales, especially less expensive ones like the Volt.

Ford is a computing company, not just for mobility, CEO says

Ford CEO Jim Hackett spoke last week of the importance of connected and autonomous vehicles to the company's future. He was giving an address at the Business Leaders for Michigan CEO Summit.

Hackett said Ford would have an expanded role in the new world of cars. "Now my vehicle is a rolling computer, and I'm going to tell you my business is computing," he said, according to the *Detroit Free Press*.

"Ford's future is not about giving up the car," Hackett said. "But there are no dumb cars in the future." He said he wants Ford to produce the iPhone of autonomous vehicles.

Luxury market growing, thanks to entry-level vehicles, brand experience

The luxury market is growing, but today's luxury buyer is very different from 10 years ago, says a new study by Jumpstart Automotive Media.

Entry luxury cars, such as the Cadillac CTS, make it more affordable than ever to drive a luxury vehicle.

Luxury automakers are introducing a variety of entry-level vehicles that compete with non-luxury choices filled with advanced technology and features. The many entry-level models, combined with more aggressive financing and CPO options, mean a luxury vehicle has never been more affordable.

Luxury sales have grown in response. Today they account for 13 percent of total sales, up 3 percent from 2014.

Today's luxury owners are young, college educated, homeowners and are willing to pay more to get what they want. They are more likely to be self-employed, and are 69 percent more likely to use their vehicles primarily for their personal business. And 91 percent of luxury buyers interviewed said they would rather have a vehicle that is satisfying to them, rather than one impressive to others.

The study also found that total brand experience is critical in connecting to and impressing today's luxury auto shopper. "From the car's performance and events to the dealership and maintenance experience, consumer perception is impacted throughout the entire shopping journey," said Michael Baer, senior vice president of Ipsos, Affluent Intelligence Group. Ipsos, a market research company, was a partner in the study.

Late October saw highest gasoline demand in 11 years

The late October gasoline demand was the highest for the end of that month since 2006, according to the Energy Information Administration. The average national gas price at the end of October, $2.53, was 31 cents higher than a year ago.

"October has seen strong demand numbers likely, in part, due to consumers taking advantage of the unseasonably warm weather rather than spending time indoors," said AAA spokesperson Jeanette Casselano. "As consumers fill up their tanks more frequently, we are seeing supply levels tighten and gas prices increase. However, we don't expect this increase to be long-term."

Gas prices continued to be volatile in the Mid-Atlantic, with prices in Maryland up 5 cents from a week earlier. Virginia was one of the nation's top ten least expensive markets, at $2.28 per gallon.

Crude oil inventories slid by 2.4 million barrels last week, as crude oil exports reached a new record of 2.133 million barrels per day. All of this news has given market observers renewed confidence in seeing oil prices pushing higher as supplies appear to grow tighter and demand remains strong, fueled by oil demand growth in key export markets.

Staying Ahead…

Strength does not come from winning. Your struggles develop your strengths. When you go through hardships and decide not to surrender, that is strength.

--Arnold Schwarzenegger