

## **JANUARY 25, 2002 - 8TH ANNUAL CEO/ CFO FORUM RECAP**

Auto Team America, in conjunction with Comerica, held its annual CEO/CFO conference in New Orleans on January 25<sup>th</sup>, 2002. We had a number of exciting speakers and a great dealer panel. The meeting focused on the methods dealers can use to improve their business model and enhance their profitability post September 11 and 0% financing. Here are some of the highlights of the session:

### **Taxation and Other Compliance Issues - Bob Zwiers - National Dealership Tax Executive:**

■ The IRS has clarified how to tax salespeople (and only salespeople) on their usage of demonstrators. It simplifies many of the previous complicated procedures, such as completion of logbooks, but it must be pointed out that this applies

to salespeople only. There are new methods that can be used that allow limited personal use. Should you wish to receive a copy of our suggestions, please call your local ATA firm.

■ A new Form 8300 (Cash in excess of \$10,000) is effective after 12/31/01. This is a direct result of 9/11 and must be completed for all applicable transactions. If you need more information please contact your local ATA



### **Tax Tip**

#### **IRS Provides Relief From The Mid-Quarter Depreciation Convention Due To Terrorist Attacks**

Due to the terrorist attacks suffered on September 11, 2001, taxpayers who delayed (until the fourth quarter) the purchasing and placing in service of property (other than property subject to the mid-month convention) and would typically be subject to the mid-quarter convention can elect to use the half-year convention. This election is made by writing "Election Pursuant to Notice 2001-70" across the top of Form 4562. This election applies to all taxpayers where the third quarter includes September 11, 2001.

member. The new form can be accessed via the Internet at [www.irs.gov/forms\\_pubs/forms.html](http://www.irs.gov/forms_pubs/forms.html).

■ There are some significant tax strategies that may help:

- Cost segregation – which allows for quicker depreciation on certain components of your new or existing buildings
- Inventory Adjustments based on:
  - ▶ Floorplan credits
  - ▶ Advertising Charges
  - ▶ Blue Oval Income
  - ▶ Internal unrealized profits

■ UNICAP tax may allow for zero based on three tests:

- No person spends more than one-third of their time purchasing inventory
- No off-site storage
- 90% of sales are to consumers

For additional information pertaining to the strategies briefly outlined above, please contact your local ATA professional.

■ IRS scrutiny on Tax Shelters. There is renewed interest in looking at the

various tax shelters that exist.

### **Economic Outlook -**

**David Littman - Comerica Bank, Chief Economist (david\_1\_littmann@comerica.com):**

Here are some of the salient points of David's speech. He is optimistic for the following 8 reasons:

- 1 The Fed has injected more liquidity into the banking system
- 2 Lower energy prices – average household is saving \$165 p.a.
- 3 Government spending has been stepped up
- 4 Stimulation from Tax Rebates
- 5 Recovery of deferred spending in 2001
- 6 Return of the stock market wealth effect
- 7 Improved purchasing power and consumer confidence from lower inflation and interest rates
- 8 Increased Federal spending on Military and Defense

### **Employee and Customer Retention -**

**Tom McQueen - CORVAL:**

Tom McQueen reviewed techniques of how to retain customers and employees and create a dealership culture and shared vision that will lead to improved dealership profitability and less work related stress.

Tom showed some interesting tables on employee surveys. Here is an enlightening response to a Gallup Survey of 30,000 employees when asked

specific questions regarding their opinion of their workplace:

- ▶ 77% feel employer not interested in their welfare
- ▶ 73% would strongly NOT recommend their company
- ▶ 72% feel they were not kept informed
- ▶ 70% say that Management is not open or honest
- ▶ 60% did not get proper training
- ▶ 54% says company did not ask for their input
- ▶ 40% were seriously looking for a better job

Another survey that raised a lot of eyebrows was the NADA survey regarding personnel turnover statistics.

Average NADA dealer turnover statistics:

- ▶ Salespeople 50%
- ▶ Managers 25%
- ▶ Technicians 22%
- ▶ All others 36%

Dealerships need to develop leaders and nurture their managers to become leaders. They need to create “buy-in” and make sure that dealership personnel cooperates rather than competes. Corval offers a program that facilitates dealerships in changing their culture.

### **Dealer Panel**

The dealer panel included Jack Pohanka of Pohanka Automotive Group, Andrea Karsian of Toresco Enterprises and Leon Edwards of Edwards

Chevrolet, Inc.

The panelists were asked a number of questions and following are a few of those questions, as well as the responses:

*"In today's environment, which department in your opinion has the most opportunity for improvement?"*

All the panelists felt that used vehicles and service were the areas of greatest opportunity.

*Leon Edwards:* I feel that there is a need to focus on 4 – 5 year old vehicles. In addition, after 0 % financing, there needs to be more focus on making money in the F & I department.

*"During the downturn, where was your expense control focus?"*

*Andrea Karsian:* Split all expenses into what we couldn't do without, maybe could do without and could do without.

*Leon Edwards:* We get sloppy when business is good. Keep your new vehicle inventory at 45 days supply and used at 30 days supply. An economic slow down is a great time to hire better quality people.

*Jack Pohanka:* Tight fiscal controls, such as all items over \$500 require management approval. The goal is to earn 30% gross to net.

*"How much effort should*

*be put into Internet sales?"*

*Jack Pohanka:* This area should not be overlooked, as 15% of our sales originated from the Internet.

*Andrea Karsian:* Great tool, timesaver and communication device. About 10% of sales come from this source, but not necessarily incremental sales.

*Leon Edwards:* Much touted and disappointing results to date.

*"What have you done with BDC's and how effective are they?"*

*Andrea Karsian:* One dealership handles all inbound calls. Doing okay, but there is room for improvement.

*Jack Pohanka:* Still in its early stages of development. The first thing we are doing is consolidating the accounting function for our 15 dealerships.

*Leon Edwards:* I have not been involved with BDC's.

Should you wish to discuss any of the above issues, please contact your local ATA professional. They will be most willing to offer additional information.

**We invite you to visit our website at:**  
**[www.autoteamcpa.com](http://www.autoteamcpa.com)**