

READING & RESPONSE

JUNE 2007

Information and Resources from the IRS Office of Small Business and Self- Employment

FREE Phone Forum - Tax Season Feedback for Small Businesses

June 14, 2007

9:30 a.m. - 10:30 a.m. PDT

If you could tell the IRS about an issue that is running rampant in your industry and that the IRS could change, what would that issue be? Attend this forum and tell us about problems and barriers you encountered this year with your federal taxes and we'll help you navigate the IRS' systems for resolving industry-wide issues and reducing burdens for small business owners. See the link for more information, including how to register.
www.irs.gov/businesses/small/article/0,,id=166814,00.html#tax

2007 Small Business Resource Guide Now Available!

The *Small Business Resource Guide*, CD-ROM provides critical tax information to small businesses including forms, instructions, and publications. The CD also provides valuable business information from a variety of government agencies, non-profit organizations, and educational institutions. Small business owners can order a copy of the CD online (see the link below) or by calling (800) 829-3676.
www.irs.gov/businesses/small/page/0,,id=7128,00.html

New Publication: Small Business Federal Tax Responsibilities

www.irs.gov/pub/irs-pdf/p4591.pdf

Publication 4591, *Small Business Federal Tax Responsibilities*, is a one-stop resource for small businesses and the self-employed. It provides important web links and other resources to help small business owners understand their tax responsibilities.

The Tax Gap: Business or Hobby? Answer Has Implications for Deductions

This fact sheet explains the rules for determining if an activity qualifies as a business and what limitations apply if the activity is not a business. Generally, an activity qualifies as a business if it is carried on with the reasonable expectation of earning a profit. In order to make this determination, there are several factors taxpayers should consider – see the full article for more details.

www.irs.gov/newsroom/article/0,,id=169490,00.html

Find it Fast!

This section of the IRS web site has information from A to Z for businesses. It's your online source to find business information fast.

<http://www.irs.gov/businesses/small/article/0,,id=154770,00.html?portlet=2>

Taxing Reading

“The hardest thing in the world to understand is the income tax.” — Albert Einstein, physicist

Reading about taxes doesn't make you smile very often, but a little known page on IRS.gov offers a variety of historical (and sometimes humorous) quotes.
<http://www.irs.gov/newsroom/article/0,,id=110483,00.html>

Credit Card Tax Payment Options Expand for Individuals, Businesses

The Internal Revenue Service has expanded the credit card tax payment option for taxpayers. Effective January 2007:

- Individuals can pay Trust Fund Recovery Penalty (TFRP) liabilities, including installment agreement liabilities, with their credit card. The accepted tax quarters include the first quarter of 1997 through the last quarter of 2006.
- Businesses can use their credit card to make balance due payments for their current and prior year Forms 941, Employer's Quarterly Federal Tax Return, and Forms 940, Employer's Annual Federal Unemployment (FUTA) Tax Return. These payments can include installment agreement payments for any unpaid taxes for the prior 10 years.
- Businesses can also make a balance due payment for the new Form 944, Employer's ANNUAL Federal Tax Return.

The payments can be made by phone or Internet. For additional information, please go to “Pay Taxes by Credit Card” on IRS.gov.

<http://www.irs.gov/businesses/small/article/0,,id=169685,00.html>

Employer Identification Numbers

If you already have an Employer Identification Number you may need to get a new one if either the organization or ownership of your business changes. If you incorporate a sole proprietorship or form a partnership, you must get a new EIN.

How Long Do You Need to Keep Records?

Recordkeeping is more than just paperwork. You need good records to monitor the progress of your business, keep track of deductible expenses, prepare tax returns, and support the items you report on tax returns. Generally, you must keep records that support the income or deductions on a tax return until the period of limitations for that return runs out. Keep records relating to assets until the period of limitations expires for the year you report the sale or other disposition of the property.

Subscribe to e-News for Small Businesses

If you would like to receive e-News for Small Businesses, please visit this link to subscribe: <http://www.irs.gov/businesses/small/content/0,,id=154826,00.html>

For more information, please contact KayDel Marshall in Portland by phone at 503-326-5240 or by email at KayDel.Marshall@irs.gov.

“Kelly’s Korner”
OIADA *Oregon Dealer News*
June 2007

Can a Sales Consultant Complete the F&I Process and Maintain Profitability?

By Jan Kelly

During a recent speaking engagement, I was asked if I thought the sales consultant could maintain a certain level of profitability while completing the F&I process. The question took me back to the beginning of my career in the 1970’s. Many dealerships did not have an F&I process, sales consultants had customers sign a blank contract, and there was little or no revenue from the F&I process.

The sales managers who sold the paper to the lenders (who by the way completed the paperwork) ran the finance department. The general managers did not expect the finance department to make a profit. It was a matter of convenience for the customer.

Then Regulation Z came along, and disclosures and complete contracts became the order of the day. Thus began the F&I process.

Dealerships soon learned that selling intangible products and services required a change in procedure. Leaders who quickly hired and educated a finance manager realized a huge return on their investment: higher profitability and an increase in the number of units sold.

Now I find that many dealerships have gone back to their old ways in the F&I process. They claim that having the sales consultant use a menu helps to make the customer feel less anxious during the paperwork process. Did you catch the phrase, paperwork process?

When dealerships start down this road, there is usually a resultant dip in profitability. Sales consultants typically take the path of least resistance. While they offer, mention and perhaps even ask for the extra business, they may not do so with sincerity and many settle for the first “no”. The sales consultant is focused on the sale of the vehicle (which is, by the way, what we want them to do).

I am not convinced that the average customer would feel comfortable in telling their new best friend (the sales consultant) all of the reasons why they have poor credit. I am also not convinced that the sales consultant would be confident enough to ask for the full sales price after hearing the customer’s sad tales of misfortunes.

History has shown that to achieve the best for each profit center, efforts are best rewarded when there is a change of face. Additionally, the new face must be professional in

thought and deed. In order to maximize the opportunities presented, the F&I professional must have faith in their dealership's products and services, and be able to make a value added presentation prior to asking for the investment dollars.

Can the process of sales and F&I be done by one person? Absolutely. However, the dealership will sacrifice profits and customer satisfaction by eliminating the F&I manager's role.

Article written by: Jan Kelly, President of Kelly Enterprises. She is a sales trainer and consultant, convention speaker, and writes frequently for industry publications. For information about training opportunities or joining our F&I 20 Groups, visit www.JLKelly.com.

Kelly Enterprises F&I Seminar Schedule

4-Day F&I Seminar Schedule

July 24-27	Baltimore, MD
October 23-26	Portland, OR
November 6-9	Dallas, TX

2-Day Advanced F&I Seminar Schedule

June 7-8	Portland, OR
August 9-10	Portland, OR
September 13-14	Kansas City, MO
December 13-14	Portland, OR

*Kelly Enterprises P.O. Box 821665 Vancouver, WA 98682
Corporate Office Ph (800) 336-4275 Fax (800) 980-9420
Email: Info@JLKelly.com Web: JLKelly.com*

What Attributes Do Consumers Look For; Who Takes Top Marks? KBB

IRVINE, Calif. — Kelley Blue Book and Kelley Blue Book Marketing Research's latest report series, Brand Watch, which was announced today, revealed that in the pickup segment, more in-market truck shoppers are considering the purchase of a domestic truck than an import brand, with Chevrolet's consideration topping the chart at 56 percent, Ford at 44 percent and GMC at 38 percent.

Brand Watch also collected data on consumer loyalty, or repurchasing the same brand of vehicle currently owned. The first wave found GMC at the top the rankings in loyalty

among truck owners. Meanwhile, Chevrolet and Toyota tied for second place at 40 percent, while Dodge and Ford tied for third place in the loyalty rankings.

Asking for the opinions of consumers who intend to purchase trucks, Brand Watch officials questioned future shoppers about 13 different attributes associated with selecting a vehicle. Executives asked shoppers to not only rank these attributes in importance, but also to rate each manufacturer on the importance of that factor.

As expected, truck considerers said they seek out strong, functional truck features, such as durability/reliability, fuel efficiency and towing capacity. Durability and fuel efficiency ranked as the two most important factors among truck considerers at 72 percent and 58 percent, respectively.

In both categories, truck shoppers claimed that the two top brands with those features are Toyota and Honda, with Toyota being perceived as the leader in durability and Honda perceived as having the best fuel efficiency. GMC came in at a close second in both of these categories, as consumers reported they perceive GMC as having the most new fuel-system technologies.

Driving comfort, towing and driving performance ranked as the next three most important factors for consumers considering a truck. Among those categories Chevrolet took top marks in driving comfort and driving performance, while Ford took the top spot for towing capacity.

Moreover, officials revealed that Chevrolet received top recognition for the highest number of factors overall, including driving comfort, driving performance, interior layout/design and available options.

"While Honda only has one truck in its lineup, the Honda Ridgeline and its fuel efficiency is the same as other trucks in its class, it's clear the Asian brands are seeing a halo effect from the other vehicles it sells," said Rick Wainschel, vice president of marketing research and brand communications for Kelley Blue Book.

"The Asian truck manufacturers have made amazing strides, including Honda's innovative Ridgeline and the newly introduced and redesigned 2008 Toyota Tundra," he continued.

"While these automakers have clearly changed their brand perception among passenger car buyers, they still have some work to do in the minds of truck buyers," Wainschel pointed out.

General Motors' products also placed high for exterior styling and design among consumers who said they intend to buy trucks, according to the company. GM was credited with having 'innovative design' that 'commands attention and stands out from the crowd,' as well as having 'attractive looks and lines,' consumers told study officials.

"Chevy and GMC have led the market in U.S. truck sales for years," explained Jack Nerad, executive editorial director and executive market analyst for Kelley Blue Book's Kbb.com.

"The truck market is a very important sales segment and one that the domestics really need to keep a firm grasp on over the next few years," he added.

The truck segment of Brand Watch was compiled from responses of 273 in-market vehicle shoppers who indicated they are planning to buy a pickup truck within the next 12 months, according to Kelley Blue Book Marketing Research.

The pickup segment wasn't the only category covered by the study; Brand Watch also delved into how each manufacturer's brand equity differs across vehicle segments, compared the relative standing of each make versus competitive makes and covered the decision factors of car buyers within each make and segment, executives highlighted.

Additionally, detailed demographic and psychographic information was also collected, reported and detailed throughout Brand Watch's study. Officials said this study is available quarterly from Kelley Blue Book Marketing Research.

"Vehicle brand perception among consumers, especially active shoppers, is an important factor in the make-level purchase decision process," said Wainschel. "Manufacturers can see not only how each vehicle in their lineup performs against similar brands and like vehicles within the segment, but track and trend the changes as they launch new nameplates and new marketing campaigns."

Kelley Blue Book Marketing Research's Brand Watch also asked consumers about:

—What segments are being considered?

—What makes are being considered within each segment?

—What are the most important factors driving consideration?

—What defines a make within the segment and what is its competitive advantage?

—How does a make's image relate to what consumers want?

—How do consumer perceptions differ across psychographic and demographic subgroups?

Officials said Brand Watch, which is available to vehicle manufacturers and auto industry professionals, tapped into more than 12,000 active and in-market shoppers to determine their perception of vehicle makes within specific auto segments. The study was fielded on Kelley Blue Book's kbb.com.

For sales inquiries on any vehicle segment or brand or further details on the study, Kelley Blue Book said to contact Kelly Gim, director of marketing research service, at (949) 268-2756 or e-mail kgim@kbb.com.

Random thoughts from the Salt Lake City airport

By: Darrell W. Fuller

As I begin writing this month's column, I find myself stuck at the airport in Salt Lake City, Utah. I was happily winging my way from Oregon to Texas, with a brief layover in Utah. I boarded my Texas-bound Delta looking forward to dinner in the Lone Star State.

There we all sat. In the plane. Not moving. Not pushing back to taxi to our runway. Not doing anything.

Then we heard the pilot's voice: We would need to deplane and await further instructions. The tornado sirens were wailing in Texas and the Dallas-Ft. Worth airport – our final destination – was evacuating the air traffic controllers from the tower. Golf ball-sized hail was already falling nearby.

The Salt Lake City airport is just fine with me, thank you very much. Now I have some time on my hands. They think we might get out of here around 7 or 8 pm. So, let me take this time to tell you a little about what is happening at OIADA.

Meeting with NIADA staff in Texas

First, I'm on my way to Texas to meet with the staff at the National Independent Auto Dealers Association. They put all new state executives through a two-day, intensive association-management training program. I'm really looking forward to the meetings. I know I have a lot to learn. I also have a lot to offer.

I met the national Executive Director, Mike Linn, at a meeting in Boston in April. All of the state association executives meet three times each year to share information. Boston was my introduction to this group called the AEC (Association Executive Council). Mike Linn used to be the state executive for the Carolinas (the two states have a single independent dealer association). So, Mike is very well known and respected among the state executives. He's been in my shoes and I look forward to him sharing his experiences with me.

Our new Capitol Club

OIADA's Executive Committee recently approved the creation of the **Capitol Club**. The new Capitol Club will be comprised of dealers who voluntarily contribute at least \$500 each year to OIADA's campaign fund. Those dollars are used to support pro-dealer and pro-business candidates for the state Legislature.

Members of the Capitol Club will be mentioned prominently in future editions of the *Oregon Dealer News*. They will also receive special recognition at the state convention and regional meetings. And, Capitol Club members will also have special member-only opportunities to meet with elected officials and attend campaign events, such as golf tournaments, representing OIADA.

I appreciate the members of the Board of Directors who immediately stepped up and agreed to join as soon as the proposal was approved.

Now, each person reading this magazine needs to add their name to the list. Just as you spend money to advertise your business, OIADA needs to spend money to "advertise" ourselves to the people who make our laws. Contributing to campaigns is how you get noticed in the political process and OIADA is going to start getting a lot more attention with your help. Our goal is nothing short of making OIADA the most powerful and influential dealer organization in Oregon.

Every two years on election day Oregon voters choose your business partner. The State of Oregon can be a good business partner or a very expensive business partner. Investing \$500 each year in the Capitol Club is a small investment in choosing a business partner which views you as the backbone and life-blood of local economies and communities rather than just another source of new and higher taxes and fees to feed to government coffers.

Join the Capitol Club today by writing your \$500 check to OIADA-PAC. Your donation can be from company funds or personal funds. It is up to you. If you have any questions about the Capitol Club or campaign-related contributions, please email me at Darrell@oiada.com or call me at 503-362-6839.

Do we have your email address?

OIADA has current email addresses for less than half our members. In the coming weeks, OIADA will begin regularly emailing information to our members. If you want to receive this important information, please provide us with your email address. Simply send an email to Darrell@oiada.com and I'll make sure your email address is on our master list. Email will quickly become an important tool for OIADA because it will allow us to contact you immediately with urgent information at practically no cost.

Thank you to Brasher's in Eugene

A big "thank you" to **Lisa Larkin** at **Brasher's Northwest Auto Auction** in Eugene. They recently had a special Seafood Buffet night and special sale. At the dinner, Lisa allowed OIADA President **Mike Dorn** to introduce me to the dealers in attendance. I said a few words about the association, about what was happening at the Legislature in

Salem and I encouraged nonmembers to join. With **Jamie Wodzewoda** staffing a membership table and roping-in prospects, OIADA signed up eight new members!

Final Thoughts

I made it to Texas (arriving at 2:00 AM rather than at dinner time). By the time we landed, the light from the moon made it clear the storms had passed. It was nearly a cloudless night as we touched down. Three tornados hit Texas that afternoon, but they were all more than 100 miles from Dallas-Ft. Worth.

The meetings at NIADA were very helpful. I'm amazed at what the national office does for you when considering the annual dues with NIADA are only \$50. (Every member of OIADA is automatically a member of NIADA because OIADA sends \$50 of your \$300 membership dues directly to NIADA.)

As you read this report, I will be preparing to travel again, this time to Nashville for the NIADA Convention. I'm looking forward to meeting more new people and encouraging other related industries to join as Associate Members of OIADA.

Until next month, keep on selling!

Darrell W. Fuller

Business, Family & Quality (In the Retail Auto Industry?)

OIADA Welcomes New Associate Member

Rod A. Heasley
Charter Warranty / Autosave

A recent article in the *Wall Street Journal* focused on the quality of family life experienced by high-energy entrepreneurs. The story listed several incidents in which aggressive business owners significantly (and often permanently) damaged their family lives in order to make the business successful.

Auto dealerships certainly qualify as one of America's most time-intensive owner involved businesses. Operating a dealership demands a tremendous time commitment because of the many aspects and varied nature of the business such as lengthy operating hours, heavy risk exposure and extreme stress. Many dealers spend up to 80 hours a week at work (at the dealership, auctions, meetings, training seminars, etc.), at a time when their young families are emerging.

Owners between 25 and 39 years old begin 56% of the nation's businesses. Is it any wonder children in these families often live through their most impressionable years competing with the business for their father's attention? Is it any wonder that so many successor/candidates and dealer/fathers have difficulty communicating with each other?

Having spent over 25 years in dealerships, if you asked me for one word that caused the majority of issues at my store, it would be "communications." At the end of the day, the problems which normally occurred always involved a breakdown in communications.

Proper business practices and quality dynamics begin at the outset of a dealership. It is in these early years that long-term habits and relationships are established. If they are not properly handled and negotiated, they can cause irreparable damage to the family life and the business. This is especially true when a family-member successor is in the plans.

For those of us who have traveled down this road, let's recognize and state that nothing less than total commitment to a dealership is vital during the early years. At this stage, all family members need to acknowledge this commitment, because the stakes are high. The real problem is that, because these early commitments are seductive due to newfound power and control, too often they are allowed to continue long after they are needed.

Please do not fail to see here that, even in our industry, **"there is life after work!"**

Remember, you are not alone at the top. You can learn from the mistakes of many who have already traveled your path. Most of us spend many hours "chasing a buck" and rationalize the damage to family relationships by telling ourselves such things as "I want my children to have all the things I didn't" or "I have to protect all that I have worked so hard for" or "my family and friends just don't understand what it takes to make this place profitable". Being a self-proclaimed expert on this subject, I built a successful career over 25 years, yet partially eroded my personal family life. I used some of the excuses listed above, and even added my own to it. Now it is time to admit that all those noble reasons for "selling my soul to the company store" were nothing but 100% cop-outs.

It takes a special individual to persevere in the auto industry. Many times the real motivation is an obsession with winning. So, do not be fooled into believing that obsessive commitment to work can be beneficial to the well-being of your family relationships. That mindset is a fallacy.

"Balance" and "quality time" are buzz words which we have started to hear in recent years. Unfortunately, they were not popularized soon enough for my two kids to have some semblance of a normal family life. However, they did appear soon enough to force me to create some very special bonding situations with them. This simple priority change has greatly enriched my life and caused me to reposition my attitude. It's time to begin to fully appreciate the simple things in life. Balance (for the purpose of this article) is the manner in which time is divided between work and quality family interaction. The important part of this balancing act is not equality (50/50). Realistically, the business will win the largest piece of time. Instead, the real factor here is **"quality time!"**

What purpose is served to leave work early to go home and then spend that time clicking through the channels of your big-screen TV, or surfing the net? Show me the logic in staying away from the dealership on Saturday to play golf with industry friends, while your family carries on their individual pursuits of happiness, without you being involved?

In conclusion, allow me to suggest some self-evaluation: Let's put on objective glasses, stand upright, look into a mirror and say: "Life **is** too short and there **is** life after work." Remember, your "in box" will always be full and there is no need to kill yourself to empty it every day. Let each one of us take a few minutes at the start of every day to make sure our priorities are in the correct order. If you are able to reposition your thinking and prioritize the really important issues of the day, you'll realize there **are** enough hours in the day to be successful in business and in your family relationships.

All the success, all the goals and objectives you accomplish, every rung of that ladder you are climbing, will be much more rewarding with your family in tow.

Mr. Dealer, look at that calendar, block off some quality family time, make the plans and **DO IT NOW!**

Yesterday is ashes.....

Tomorrow is wood.....

But only **TODAY** does the flame burn brightly !!!!

"Let's make finding a solution a higher priority than placing blame."



Rod A. Heasley
North American Director of Sales
Charter Warranty / Autosave Division

**Rod Heasley is the Director of Sales in the US and Canada for Charter Warranty / Autosave Division. Autosave is the nationally recognized "original" 5 year / 100,000 mile engine and transmission warranty program. Rod has over 26 years automotive industry experience in retail sales & management operations, and motivational auto sales training. Rod can be reached at 800-684-1175 or rodh@autosave.com.

READING & RESPONSE FORMOIADA CONTINUING EDUCATION PROGRAM

ARTICLE:	QUESTION
Resources from IRS	The Internal Revenue Service has expanded the credit card tax payment option for taxpayers. (1) True _____ False _____
Kelly's Korner	According to Jan Kelly, the process of sales and F&I cannot be done by one person. (2) True _____ False _____
Kelly Blue Book	Recent report revealed, more in-market truck shoppers are considering the purchase of an import brand rather than a domestic truck. (3) True _____ False _____
Executive Director	Every member of OIADA is automatically a member of NIADA. OIADA sends \$50 of your \$300 membership dues directly to NIADA. (4) True _____ False _____
Business-Family	Auto dealers certainly qualify as one of America's most time-intensive owner involved businesses. (5) True _____ False _____
Kelly's Korner	With F&I and Sales, history has shown that to achieve the best for each of these profit centers, efforts are best rewarded when there is a change of face. (6) True _____ False _____
Resources from the IRS	If you already have an Employer Identification Number you may need to get a new one if either the organization or ownership of your business changes. (7) True _____ False _____

for June 2007 Continuing Education Packet # 6-07

NOW DROP DOWN AND SEE HOW YOU DID!

READING & RESPONSE FORMOIADA CONTINUING EDUCATION PROGRAM

JUNE 2007

- | ARTICLE: | QUESTION |
|------------------------|---|
| Resources from IRS | The Internal Revenue Service has expanded the credit card tax payment option for taxpayers.
(1) True <input checked="" type="checkbox"/> False <input type="checkbox"/> |
| Kelly's Korner | According to Jan Kelly, the process of sales and F&I cannot be done by one person.
(2) True <input type="checkbox"/> False <input checked="" type="checkbox"/> |
| Kelly Blue Book | Recent report revealed, more in-market truck shoppers are considering the purchase of an import brand rather than a domestic truck.
(3) True <input type="checkbox"/> False <input checked="" type="checkbox"/> |
| Executive Director | Every member of OIADA is automatically a member of NIADA. OIADA sends \$50 of your \$300 membership dues directly to NIADA.
(4) True <input checked="" type="checkbox"/> False <input type="checkbox"/> |
| Business-Family | Auto dealers certainly qualify as one of America's most time-intensive owner involved businesses.
(5) True <input checked="" type="checkbox"/> False <input type="checkbox"/> |
| Kelly's Korner | With F&I and Sales, history has shown that to achieve the best for each of these profit centers, efforts are best rewarded when there is a change of face.
(6) True <input checked="" type="checkbox"/> False <input type="checkbox"/> |
| Resources from the IRS | If you already have an Employer Identification Number you may need to get a new one if either the organization or ownership of your business changes.
(7) True <input checked="" type="checkbox"/> False <input type="checkbox"/> |

for June 2007 Continuing Education Packet # 6-07