

Central Texas **EXCHANGE**
Austin Automobile Dealers Association

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Becky Squires

AADA

823 Congress Ave.,
Suite 230
Austin, TX 78701
Phone: 512/479-0425
Fax: 512/495-9031



Work Force (Austin MSA)

	Aug 2005	Aug 2004
Resident Labor Force:	805,967	779,530
NonFarm Employment:	681,600	668,700
Mfg Employment:	57,700	57,700
Financial Employment:	40,100	40,300
Retail Trade Employment:	69,900	69,200

Source: Texas Workforce Commission

Sales Tax Collection

	Sept 2005	Sept 2004
City of Austin	9,266,508	8,533,202

Source: Texas Comptroller of Public Accounts

Multiple Listing Service

	Aug 2005	Aug 2004
Residential Sales	3,015	2,333
Residential Inventory (mos.)	4.3	5.9
Median Residential Price	\$167,600	\$152,800

Source: Texas A&M Real Estate Center

Office Market

	Q2-2005	Q2-2004
Overall Vacancy Rate	15.9%	17.3%
Total Inventory (sq ft)	59,705,512	59,090,812
Average Rental Rate	\$19.22	\$18.73

Source: CoStar Group

Information Compiled by the
Greater Austin Chamber of Commerce

Central Texas



EXCHANGE

Austin Automobile Dealers Association

September - October 2005

Austin American-Statesman
AutoShow

Featured on StatesmanCars

**AADA Auto Show and
VIP Preview Party**

The *Austin American-Statesman* and AADA-sponsored 2005/06 Auto Show will be held December 5-12 with dates open to the public December 9-11. Automotive product booths will also be featured in this year's show.

AADA will be hosting an Autoshow VIP Preview Party on Thursday, December 8 from 6:00 p.m.-8:00 p.m. at the Convention Center. AADA thanks American Financial and Automotive Services, Inc. and The Austin American Statesman for sponsoring the V.I.P. Party.

The following companies have contracted to exhibit in this year's Auto Show:

- Acura
- BMW
- Chevrolet/Buick/Pontiac/GMC/Cadillac/Saturn/Hummer
- Chrysler/Jeep/Dodge
- Explorer Van
- Ford
- Honda
- Hyundai
- Infiniti
- Isuzu
- Land Rover
- Lexus
- Lincoln-Mercury
- Lotus
- Mazda/Volvo/Porsche/Saab/Audi
- Mercedes Benz
- Suzuki

Hurricane Relief for Dealers

The Emergency Relief fund of the National Automobile Dealers Charitable Foundation (NADCF) is stepping up in the wake of the devastation caused by Hurricane Katrina. Fundraising is under way, and pledges totaling almost \$2 million have been made by NADA and state/metro associations in California, Georgia and metro Atlanta, Kentucky, Massachusetts, Michigan, Minnesota and

metro Minneapolis, Ohio, Tennessee, Texas, Vermont, metro Minneapolis, Ohio, Tennessee, Texas, Vermont, Virginia, Washington, Eastern and Greater New York, Nevada, New Hampshire, DC, and West Virginia.

The NADCF Emergency Relief Fund will go to help dealership employees affected by Katrina. Although it's extremely difficult to get reliable estimates of how many employees have been affected, the number is expected to approach 7,000.

The Austin Automobile Dealers Association has made a \$1,000.00 contribution to the fund. If you would like to contribute, please make your check payable to Emergency Relief Fund and mail to:



NADCF Emergency Relief Fund
8400 Westpark Drive
McLean, VA 22102

Every penny of every dollar contributed to the fund will go directly to help hurricane victims. NADA is picking up the administrative costs. To join the campaign or get information, contact NADA Public Affairs at 703/827-7411 or email sfaqiri@nada.org. You may print out a donation form on the Web at www.nada.org/emergencyrelief and fax it to 703/821-7030.

COMING SOON

The Freeman Auto Report

AADA has entered into an agreement with *The Freeman Auto Report* where they will provide AADA members with new and used vehicle statistics every month for your use in analyzing the seven-county area covered by the AADA. *The Freeman Auto Report* has a 40-year history of providing statistical reports for the automotive industry and will be happy to supply you with any further information to help you in the management of your dealership. Call Gayle Freeman at 1-800-293-3661 for more information. In the meantime, watch your mailbox for the new monthly report!

Associate Members

AADA thanks the following companies for their support of AADA as Associate Members.

American Financial & Automotive Services, Inc.
Hank Hudson
Phone: 800/967-3633

Austin American Statesman
Ron Mann
Phone: 512/445-3744

Cal-Tex Management Services
Gary Osborn
Phone: 210/564/3215

Comerica Bank
Marian Welsh
Phone: 731/220/5545

Service Group Life & Casualty
Kelly Gray
Phone: 512/343-0600

The Freeman Auto Report
Gayle Freeman
Phone: 214/747/4887

Wachovia Bank
Tom Miller
Phone: 972/419-3215

ASSOCIATE SPOTLIGHT American Financial & Automotive Services, Inc.

For over 25 years, American Financial & Automotive Services, Inc. has been dedicated to improving dealerships' sales and F&I profits. The team of professionals at American Financial addresses the increasingly specialized needs of today's dealers, maximizing results through superior products and innovative sales techniques.

The F&I products designed to increase profitability include: Vehicle Service Contracts, Credit Insurance, GAP, Reinsurance, Theft Registration products, Scheduled Maintenance, and MasterTech F&I Selling Technologies.

To supplement the marketing initiatives of these products, American Financial's Automotive Training Academy offers an array of training programs, which are customizable to fit each dealership's needs. The catalog of courses includes: F&I Training Programs, Sales and Sales Management Training, Legal Issues and Ethics Seminars, Used Car Management Seminars, In-dealership Analysis Services, Service Drive Training, Phone Skills Training, and Negotiation Workshops.

For more information, please contact American Financial at:
(800) 967-3633
Dealerinfo@AFASinc.com

SEE NEWSLETTER INSERT

Central Texas

Preparation for Title Transfer Request for House Bill 988

As result of House Bill 988, many dealers want to be prepared if a customer requests title transfer in the purchaser's home county. The Texas Department of Transportation suggests the following:

Go to www.dot.state.tx.us. Highlight "Automobiles", at the drop down menu and click on "Registration & Titling (License Plates).

-To obtain title & registration fees by county, click on the Texas Schedule of Registration Fees link. We suggest prior to submitting title work to a tax office, dealerships contact the tax office and verify fees.

-To obtain county tax assessor-collector information that includes TAC name, mailing & physical address, telephone & fax number, scroll down to the "Phone Number & Addresses" heading. Click on the County Tax Assessor-Collectors link.

Additional links that may be of interest include Vehicle Title & Registration forms, Registration & Title Bulletins, Special Plate information and a listing of VTR Regional Offices.

For additional help call The Texas Department of Transportation directly at (512) 832-7000.

Blue Law Litigation

The case styled Carmax Auto Superstores, Inc. and El Paso Independent Automobile Dealers Association, et al. v. State of Texas, et al. was tried in February 2005. We are waiting for a decision from the court.

In the meantime, remember that Transportation Code § 728.002(a) states:

A person may not, on consecutive days of Saturday and Sunday:

- (1) sell or offer to sell a motor vehicle; or,
- (2) compel an employee to sell or offer for sales a motor vehicle.

We understand that the Motor Vehicle Division, Texas Department of Transportation, is continuing to review complaints of "Blue Law" violations.

TADA, TIADA, Texas Motorcycle Dealers Association and the RV Dealers of Texas intervened in the litigation.

If you have any questions please call 1-800-749-8232.

EXCHANGE

FROM NADA



IRS Denies Tax Free Status to Tool Reimbursement Plan

The IRS has held in Revenue Ruling 2005-52 that a particular tool reimbursement plan is a "nonaccountable plan," meaning that all tool allowances paid to mechanics under the arrangement are taxable income and subject to federal employment taxes.

In its most recent ruling on employer reimbursement for auto mechanics' tools, the IRS held that the plan did not meet all three accountable plan requirements to be treated as tax-free. While the described arrangement did meet the business connection requirement, it failed to meet the substantiation and return of excess payments requirements. The service noted that a reasonable estimate of expenses is no substitute for substantiation of actual expenses.

Although the ruling is limited to the facts involved in this particular arrangement, it should serve as a reminder for dealers to carefully review tool plans with their tax practitioner before adopting them.

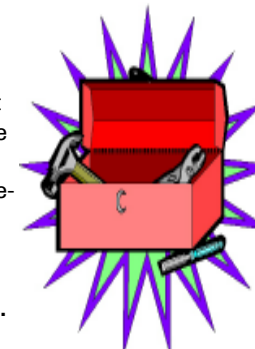
The full text of Revenue Ruling 2005-52 is available at: www.ustreas.gov/press/releases/reports/ruling.pdf.

Receipts Now Required for Tool Reimbursements

A recent ruling by the Internal Revenue Service now requires that technicians seeking tax benefits for the work-related tools they buy must substantiate the purchase amount with a receipt.

Another provision says these Section 62 Accountable Plans apply only to tools bought while working for a particular employer, rather than a technician's entire inventory of necessary equipment.

A recent IRS Ruling (2005-52) held that a particular tool reimbursement plan is a "nonaccountable plan," meaning that all tool allowance paid to mechanics under the arrangement are taxable income. Although the ruling is limited to the facts involved in their particular arrangement, **it should serve as a reminder for dealers to carefully review tool plans with their tax practitioner before adopting them.**



Credit Card Fraud

In recent months, several dealers have reported being the victim of credit card fraud directed at their parts departments. These incidents should remind dealers of the need to carefully scrutinize telephonic or other credit card orders from unfamiliar persons. The following are some risk management measures that various organizations have recommended to reduce this risk:

- Take extra steps to validate each order. Do not accept orders unless complete information is provided (including full address and phone number);
- When taking orders, ask for the three-digit number imprinted on the signature panel of the credit card. This will help verify that the customer is in actual possession of the card. If the purchaser only has the 16-digit credit card number and the expiration date, he may not physically possess the card, signaling a potentially fraudulent transaction;
- Be very wary of orders with different "bill to" and "ship to" addresses;
- Be extra cautious with transactions involving any of the following: first-time shoppers, orders placed by fax or e-mail (particularly those originating from a free e-mail address or an e-mail forwarding address), larger than normal orders, orders consisting of several of the same item, orders made up of "big-ticket" items, orders shipped "rush" or "overnight" and orders shipped to an international address. Do everything you can to validate an order before shipping your product to a different country;
- If you are ever suspicious about a card, call your credit card authorization center;
- If you have the misfortune of being scammed by a credit card thief, contact your merchant processor immediately and inform the processor of the situation. Be advised that some credit card companies offer a safeguards program to protect against this risk.

The foregoing is not an exhaustive list of credit card prevention measures. Rather, it is intended to alert dealers to recent reports of these occurrences and reinforce the need to include credit card prevention in employee training programs.

