

Calendar	TIMELINE ... JANUARY 1 TO MID-YEAR 2008
January	<ul style="list-style-type: none"> Several new <i>Automotive Alerts</i>, all dated January 2008, are issued by the office of the IRS Motor Vehicle Technical Advisor ... <ul style="list-style-type: none"> ♦ <i>IRC Section 263A TAM 200736026 Addresses Dealership UNICAP Issues</i> ♦ <i>Electronic Records Retention Requirements for Auto Dealerships ... Rev. Proc. 98-25</i> ♦ <i>Alternative Motor Vehicle Credit for Qualified Hybrid Vehicles & Alternative Fuel Vehicles</i>
January 30	<ul style="list-style-type: none"> General Alert issued on IRS Cross-Divisional Team re: <i>Employee Tool & Equipment Plans</i>
Feb. 8 - 12	<ul style="list-style-type: none"> At NADA Convention in San Francisco, CA, Ms. Terri Harris (IRS Motor Vehicle Technical Advisor - MVTA) presents a workshop on dealership Federal income tax issues.
Feb. 25	<ul style="list-style-type: none"> Cost Segregation (depreciable asset lives) for dealerships is addressed comprehensively in a new chapter added to <i>IRS Audit Technique Guide</i>.
March 4	<ul style="list-style-type: none"> U.S. Court of Appeals for the 6th Circuit affirmed Tax Court decision in <i>Huffman, et al.</i>, allowing IRS to change accountant's errors in LIFO calculations by making a Section 481(a) adjustment to the dealership's earliest open year.
March 8	<ul style="list-style-type: none"> IRS permits dealerships to use a single, combined LIFO pool for all new vehicles ... and/or for all used vehicles (Rev. Proc. 2008-23). <ul style="list-style-type: none"> ♦ Alternatively, IRS clarifies how new and/or used crossover vehicles should be treated by dealerships if they do not elect to use the single, combined LIFO pool method.
March 26	<ul style="list-style-type: none"> Sec. 263A ... NADA submission to the IRS requests that non-producer dealership cost capitalization issues be considered for guidance under the IIR Program.
April 2	<ul style="list-style-type: none"> In <i>Irwin Muskat v. U.S.A.</i>, IRS prevails in District Court, and taxpayers who sold their business are not able to prove that \$1 million of the proceeds received under a non-compete agreement were really allocable to goodwill that they sold in connection with their business.
April 16	<ul style="list-style-type: none"> In <i>Solomon v. Comm.</i>, IRS prevails in Tax Court, and the individual sellers of a portion of their business are not successful in claiming that a portion of the proceeds received were received for the sale of customer lists (which should have been taxed as long-term capital gain). Instead, amounts received were attributable to the sellers' covenants not to compete.
April 24	<ul style="list-style-type: none"> De Filippis seminar ... <i>How Auto Dealership LIFO Inventories Can Benefit by Using the New Single Pool Method</i> (a 2-hour CCH audio seminar)
May 7	<ul style="list-style-type: none"> IRS Chief Counsel's Office issues Memo No. 200825044 ... Guidance on Combining Pools Under Rev. Proc. 2008-23 Vehicle-Pool Method
May 8	<ul style="list-style-type: none"> NADA seminar ... <i>Recent Tax Issues Affecting Auto Dealers</i> presented by Mr. Paul Metrey (NADA) and Ms. Terri Harris (IRS Motor Vehicle Technical Advisor) (a 2-hour web seminar)
Various	<ul style="list-style-type: none"> De Filippis seminar ... <i>Mid-Year 2008 Dealer Tax Update Tax Strategies & IRS Activities</i> ... various dates & locations
July 2	<ul style="list-style-type: none"> <i>Employee tool & equipment plans</i> ... IRS issues Coordinated Issue Paper for the Motor Vehicle Industry (based upon Chief Counsel Advice issued in late 2007) ... LMSB-04-0608-037

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year by filing Form 3115 with the IRS under the automatic change in accounting method procedures.

Some of these dealerships are now finding out (via a letter from the IRS) that the position of the IRS National Office is that dealership must request to terminate their LIFO elections by using the advance approval procedures. These LIFO terminations are not necessarily automatic. There are problems galore for these dealers.

#6. UPDATE ON SECTION 263A ... IRS GUIDANCE ON COST CAPITALIZATION FOR AUTO DEALERSHIPS. Halfway through this year, there is still nothing concrete to report on this. In the 3 major

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IRS presentations previously mentioned, Ms. Harris, in essence, had nothing new to report on the ongoing, ever-growing Section 263A controversy that would help you cope with this dilemma in the tax returns you need to file for dealership tax returns for 2007.

So, for the time being, you're on your own in finalizing dealership tax returns for 2007. Don't worry, when the IRS does *finally* come out with something *precedential*, we will analyze it fully for you in a Special Edition of the *DTW*. But until then, just sit tight. And, it's probably best to not make any changes in anticipation of what the IRS *might* say.

see **DEALER TAX WATCH OUT**, page 4
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