



DEALER TAX WATCH OUT

If you had called me personally to ask, "What's happening lately with IRS audits of dealers and dealerships that I need to know about?" ... Here's what I'd say:

#1. OLDSMOBILE DEALERS & OTHERS IN TRANSITION ... SOME POSSIBLE TAX RELIEF?

During the year, several CPAs have called to discuss how they should, or might, handle reporting payments received by Olds dealers from GM in connection with their franchise termination settlements. Some callers were interested in discussing the possibility of allocating a part of the amount received for dealership goodwill between the (separate) corporate entity in its tax return, and the individual dealer in his personal Form 1040. For some comments on these conversations, see page 5.

Possible Relief? There are more pending bills in the House and in the Senate that might give tax relief to Oldsmobile dealers who've gone through the transition process with GM.

The effective dates of these bills would make favorable tax treatment (i.e., deferral of tax under Section 1031) retroactive to amounts received after December 12, 2000. See pages 6-7 for more on this.

What have you got to lose? A caller recently told me something very interesting. A dealer client of his had received termination payments from Olds and these payments were treated as fully taxable in the 2001 dealership income tax return. Subsequently, the CPA filed an amended return for year, requesting a refund of the entire amount of tax paid by the dealership that was attributable to including those payments in taxable income.

The CPA said that he explained that the basis for the refund claim was, simply, "H.R. 2374." See page 21 of the March, 2002 *DTW* for the text of this Bill.

H.R. 2374 would provide **Section 1033** tax deferral for **involuntary conversions**, and this relief should not be confused with the more-recent Bills that would provide like-kind property (tax-free) exchange treatment under **Section 1031**.

WATCHING OUT FOR

DEALER TAX WATCH OUT	1
OLDS DEALERS & OTHERS IN TRANSITION ... AN UPDATE	
• CORPORATE VS. INDIVIDUAL GOODWILL	5
• SOME POSSIBLE TAX RELIEF?	6
IRS & TAX ISSUES ... YEAR-END STATUS REPORT	
• EVERYTHING OTHER THAN PORCs	9
• DEMONSTRATOR VEHICLE GUIDELINES	12
• PORC ACTIVITIES & 2003 TAX RETURN REPORTING ISSUES	14
• FORM 8886 INSTRUCTIONS	20
• FORM 8886 PRO FORMA	21

Guess what? The IRS issued the dealership a refund in full. So, if you've previously treated GM-Olds payments as fully taxable or recognized gain on property settlements, do you really have anything to lose by filing an amended return and asking for a refund?

#2. PORC UPDATE ... STILL NO GUIDANCE OR CLARIFICATION FROM THE IRS, even though it's time again for you to deal with tax return reporting disclosures. Our 4th Quarter issue last year was devoted entirely to IRS Notice 2002-70, which suprised and shocked many dealership CPAs with the myriad of tax questions it raised in connection with dealership PORC activities.

During 2003, our brief *DTW* updates on this always had the same message: The IRS hasn't said anything new, yet. That's the same bottom line again

LOOKING FOR ADDITIONAL & "VALUE ADDED" SERVICES FOR DEALER CLIENTS?

Look no further... Just use the *Dealer Tax Watch* for a head start in golden consulting opportunities and activities to help dealer clients—and, in the process, to help yourself.

see **DEALER TAX WATCH OUT**, page 2