



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. WHERE, OH WHERE, HAVE MY LITTLE PORCS GONE? ... UPDATE ON IRS ATTACK ON PORCS & REPORTABLE TRANSACTIONS.

Since our last coverage on the IRS' broadside attack on tax shelters and its impact on dealer reinsurance activity in Notice 2002-70, the Service has not released any further guidance or specifics. But, there has been an enormous concentration of effort within the IRS to try to figure out just exactly what it wants to do about all of this. Our update starts on page 4.

#2. OUTSOURCING ALL OF THE DETAIL WORK OFFERS COST-EFFECTIVE ALTERNATIVE FOR CHANGING ACCOUNTING METHODS FOR FACTORY INCENTIVES & AD FEES.

In Update #5 in the December 2002 *DTW*, we overviewed the benefits for dealers who are making changes in accounting methods to reduce inventory costs by Factory incentive payments, trade discounts and advertising charges.

As mentioned there, contending with all the details can become tedious and overwhelming. Not only do year-end invoices for many years have to be analyzed, but other information including various floorplan and other reports must be reviewed in the course of making these determinations.

Complicating matters further, incentive programs vary by manufacturer and, in some cases, by year. And, if the new vehicle inventory is on LIFO, all prior year LIFO layers need to be recomputed to reflect the Section 481(a) adjustments that are required.

For CPAs and dealers wanting to obtain the benefits, but not wanting to do all of the detail work themselves, the opportunity to outsource this work can be irresistible. This includes the detailed invoice analysis for the three prior years, preparation of the Forms 3115, and the LIFO index recalculations. See page 3 for some additional information on this.

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#3. TECHNICIAN TOOL REIMBURSEMENT ACCOUNTABLE PLANS ... REQUEST FOR CLARIFICATION OF TAX ISSUES.

Here's a new development ... one provider of Section 62(c) accountable plans for technicians has requested that the IRS consider clarifying the answers to some of the underlying tax questions that are involved in determining reimbursement rates. It isn't surprising that different programs have different reimbursement rates, some (considerably) higher than others. And this alters the relative attractiveness of the plan being offered to dealers and their technicians.

This request was made to the IRS for consideration under its IIR (IRS Issue Resolution) Program. A similar request for clarification was made for this

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.

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