



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:

Our last issue was devoted entirely to one big topic. This issue, by contrast, covers a variety of items and issues, mostly in "Update" form.

#1. STOP THE PRESSES ... PORCs LIVE TO SEE ANOTHER DAY. As you know, Dear Reader, I'm rarely "early" in sending out this quarterly publication. I'm usually targeting the end of the month following the quarter as the date to have the issue completed. Well, this September was going to be different. And as a result of Herculean efforts on the part of myself and my staff, we had this quarter's issue "printer ready," and I was ready to meet with the printer on Monday, September 27 for what we call the "hand-off." I had left the office late Friday afternoon, the 24th, in one of my better frames of mind.

On Saturday, I routinely checked my e-mails. The headings on two of them abruptly caught my attention ... "**Stop the Presses!**" and "**Ding-Dong, the Witch Is Dead!**" Both were sent by PORC industry experts informing me that on Friday afternoon, September 24, the IRS had issued Notice 2004-65. In this Notice, the IRS has done a "flip-flop" and effectively removed dealer PORCs from listed transaction status in Notice 2002-70.

Great news, but a greater problem for Yours Truly, the *DTW* editor. Here's what I decided to do... First, leave all of the PORC-related material in Update #9 and on pages 15-29 about reporting and disclosure alone and publish it as originally planned. Second, include the full text of IRS Notice 2004-65, with a few comments on pages 30-31. Third, plan to include the article on the new financial reporting rules for Buy-Here, Pay-Here dealers that was scheduled to appear on pages 30-31 in a subsequent issue of the *Dealer Tax Watch*.

Here's why I decided to handle this development this way. First, the effective date of Notice 2004-65 is such that a few years (2002-2003) are excluded,

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although from a practical standpoint, it seems unlikely that the IRS will want to venture back in time on this. Second, the tough new tax shelter disclosure laws enacted by California still need to be contended with, even though dealer PORCs now "may" not be their primary focus as a result of this change. Third, although the article in the *Automotive News* seems more like a tempest in a teapot, it is, nevertheless, a recent development—although now of lesser importance.

Keep all of this in mind in reading Update #10 and the materials on pages 15-20 relating to tax return disclosures for PORCs. If you're bottom-line-ori-

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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