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DEALER TAX WATCH

A Quarterly Update of Essential Tax Information

Volume 12, Number 2

Publisher: Willard J. De Filippis, C.P.A.

June 2005

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. TECHNICIANS' TOOL REIMBURSEMENT

PLANS. Tool reimbursement plans could save employers and their technicians thousands of dollars ... every year. To get an idea of the savings for your company in a matter of minutes, just ask the Snap-On or other tool company drivers to give you some figures on how much your average technician has spent in buying tools from them over the last 12 months. At a minimum, a Section 62(c) expense reimbursement plan could be eliminating employers' payroll taxes on these amounts, and the technicians could receive these amounts as tax-free income.

Multiply these savings by thousands of automobile dealers, and then by hundreds of thousands of other employers ... and maybe that suggests one of the reasons why the IRS has not been overly eager to provide real guidance for those who want to set up these plans.

Right up until June 30th, the biggest concern overshadowing the use of Section 62(c) accountable reimbursement plans was whether the IRS would issue a Revenue Ruling to the effect that the only type of Sec. 62(c) plan that it would permit would be a plan that is solely receipts-based.

This would be a real blow to dealers and thousands of other employers who employ technicians who provide their own tools for on-the-job use.

Well, June 30 has come and gone. The Priority Guidance List deadline is now history. Why haven't we heard anything? There are probably many reasons, and we won't speculate on them. One significant movement forming now is a new coalition called *ACT ... the American Craftsmen and Tradesmen Association*. Its efforts may have something to do with the final evolution of guidance from the IRS on Section 62(c) plans.

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Our first major article on the subject of tool plans, back in 1999, was burdened by the need to make distinctions between "rental" plans and "accountable" plans. Many plans marketed at that time were either completely "rental-oriented" or significantly less Section 62(c)-oriented. That article attempted to clear away much of the clutter and emphasize that most companies in their right minds would not want to be using rental plans.

In 2000, the IRS issued its infamous Coordinated Issue Paper relating to auto dealership service technicians. Even then, it was necessary to try to get most people to understand that "rental plans" were so

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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A Quarterly Update of Essential Tax Information for Dealers and Their CPAs