



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. 2010 ... THE YEAR IN REVIEW. It's been an interesting year from the standpoint of IRS tax developments, with the most significant development coming just a few weeks ago when the IRS issued long-awaited guidance on its interpretation of the Section 263A inventory cost capitalization rules for automobile dealerships.

The 2010 Timeline updates the 6-month version that appeared in the Mid-Year Edition of the *DTW*. This puts this IRS Section 263A guidance in Revenue Procedure 2010-44 into sequence with other 2010 activities. The Timeline begins on page 7.

On a personal note, the summer and fall seasons passed quickly and pleasantly. In October, my wife and I took a long-deferred vacation, driving out to Los Angeles to spend some time with our son who lives there and is currently working on the TV program *Castle*. Part of that vacation involved a visit on the set to meet the actors and a brief detour - via a flight from Burbank to Phoenix - to attend and participate in the AICPA Auto Dealership Conference.

Upon returning to Mt. Prospect in early November, I was out of town for a 3-day business trip after which I returned to the office on November 10. I was all set to write this Edition of the *DTW*.

In trying to plan ahead, I had "laid out" the content for the Year-End Edition of the *Dealer Tax Watch* based on what I knew before departing on vacation in early October. Upon returning from the AICPA Conference, I revised the layout again, and the content and my schedule looked pretty routine. There was just one catch ... I had assumed that (based on prior experience) it would be another year or two before the IRS actually published any guidance on cost cap. All of this just goes to show you what happens when you base your plans on faulty assumptions.

WATCHING OUT FOR

DEALER TAX WATCH OUT	1
• SIGTARP REPORT ON GM & CHRYSLER DEALERSHIP CLOSINGS	5
• TIMELINE ... YEAR 2010 DEVELOPMENTS	7
AICPA NATIONAL AUTO DEALERSHIP CONFERENCE	
• IRS TAX ISSUES UPDATE	10
• DEALER-FACTORY ISSUES UPDATE	15
REPORTING UNCERTAIN TAX POSITIONS TO THE IRS	17
PRACTICE GUIDE ... DISCUSSION AGENDA FOR DEALERSHIP YEAR-END REVIEW MEETINGS	20
SECTION 263A - IRS FINALLY ISSUES GUIDANCE FOR DEALERSHIPS ... SOME GOOD NEWS - SOME BAD NEWS ...	22
• SUMMARY OF RP 2010-44 RAMIFICATIONS	23
• TEXT OF REVENUE PROCEDURE 2010-44	35
• TEMPLATE FOR FORM 3115 NARRATIVE STATEMENT	40
ESTATE TAX REPEAL FOR 2010 MEANS HEADACHES FOR TAX RETURN PREPARERS IN 2011	42
PRACTITIONER'S NIGHTMARE: UNCERTAINTY & DEALERSHIP TAX ISSUES	46

Because, alas (on November 9), while I was out of town, the IRS published Rev. Proc. 2010-44. As a result, one of the major articles that I was planning to write for this Edition of the *DTW* was set aside for further development and will have to wait until next year. For more about this, see Watch Out #4.

#2. SECTION 263A GUIDANCE ... HOW THE IRS REALLY FEELS ABOUT DEALERSHIP COMPLIANCE.

Well, now we know. And, for some dealers, there's some good news; unfortunately, for some others, the news is not so good.

see DEALER TAX WATCH OUT, page 2

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.