

Legislative Wrap Up



Legislative session ends; tax increases take effect soon

The first full session of complete DFL control at the State Capitol achieved some long-sought DFL policy objectives like increased education spending, free all-day kindergarten, a significant expansion of union power, and legalization of same sex marriage.

It was also marked by \$2.1 billion in new taxes, including a hefty income tax hike on top earners. Other tax increases that are set to take effect July 1, 2013:

- **Tax on Commercial/Industrial Equipment Repair.** Repair and maintenance services on commercial and industrial machinery and equipment will be subject to state and local sales taxes. Motor vehicle repair labor remains exempt from the sales tax.
- **Tax on Office Equipment Repair.** State and local sales tax will be imposed on the repair of office equipment (computers, printers, copy machines, etc.);
- **New Tax Treatment for Repair Paint and Shop Materials.** Repair paint and materials used in the repair of a motor vehicle will be allowed to be treated as purchased for resale, thereby eliminating the need for shops to pay the sales tax when they purchase these supplies at wholesale. These items will now be subject to the state and local sales tax when sold at retail.
- **Increased Rental Car Tax.** The 6.2% rental car tax will increase to 9.2%.

In addition, dealerships should note several policy changes that will take effect this summer:

- **Gifting Motor Vehicles.** Starting July 1, 2013 the sales tax exemption for a gift of a motor vehicle has been narrowed so

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Employee Benefit Plan impact of new same-sex marriage law

Shop supplies tax shifts from wholesale to retail

Sales tax loophole for vehicle gifting tightened

CAR/DEAC: be at the table, not on the menu

upcoming events

jun 19 Title Basics
Minneapolis

jul 16 Title Basics
Brainerd

jul 18 Light Duty Seminar
Minneapolis

aug 1 State Farm & PartsTrader
Location & Time TBD

visit
www.mada.org/training
for details and
registration for the
complete list of
Upcoming Events and
training

Legislative Wrap Up (cont. from cover)

that the tax exemption applies only to gifting between parents and children, grandparents and grandchildren and spouses.

- **Salvage Title Changes.** The legislature has increased the value threshold on older vehicles which are subject to the salvage title brand if they are damaged more than 80% of their cash value. Starting August 1, vehicles that are older than 6 years old with a value of more than \$9,000 (an increase from the current threshold of \$5,000) will be subject to the salvage title law.

The 2013 Legislative Session Wrap Up, a detailed summary of the 2013 Legislative Session activity, is included in this newsletter and can be found at www.mada.org.

Training News



Light Duty seminar scheduled July 18

Thursday, July 18
Minneapolis

11:30 a.m. – 2:00 p.m. \$159

Presented by Steve Burton, Labor Attorney
Felhaber, Larson, Fenlon & Vogt

The adoption of Manufacturers' Free Maintenance Programs makes it imperative for dealers to be able to have those services performed by employees working at sustainable wage rates. Non-union dealers will have few challenges realigning their labor costs, but dealers signatory to a collective bargaining agreement face greater obstacles.

Fortunately, the recently negotiated labor agreements with the Teamsters and Machinists unions provide dealers with a number of tools to permit such services to be performed at appropriate wage rates, and this seminar will help dealers utilize those tools to gain the greatest benefit.

For more information on this seminar

This seminar will help dealers utilize those tools to get the greatest benefit.

and to register, please go to MADA's website at www.mada.org/training or contact Denise Anderson: denise@mada.org.



Minnesota Automobile Dealers Association

The Minnesota Automobile Dealers Association is a non-profit trade association dedicated to the progress of the retail auto industry in Minnesota.

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Minnesota's new same-sex marriage law

The effect on employee benefit plans

On Tuesday, May 14, 2013, Governor Dayton signed into law a bill legalizing same-sex marriage in Minnesota. The new law is effective this year on August 1 and defines "civil marriage" as a "civil contract between two persons." Minnesota is the 12th state legalizing same-sex marriage.

How will the new law affect employee benefits plans?

This will depend on how a dealership finances its plans. Because ERISA pre-empts state insurance laws, a *self-funded* ERISA group health plan (including dental and vision) is **not** required to offer coverage to same-sex spouses. Dealers who are self-funding their plans should review their plan documents to determine (1) how "spouse" is defined and (2) if the plans are administered as the dealer intends.

An employer providing coverage to spouses under an *insured* ERISA group health plan **will likely be required** to offer coverage to same-sex spouses. Minnesota regulates insurance contracts in the State and controls the new definition of "spouse" within insurance contracts.

Life Insurance Plan

For insured life insurance plans, dealers will likely find that spouse is defined to include a same-sex spouse so that same sex spouses will likely be eligible for spousal life insurance coverage and will be considered the default beneficiaries.

Flexible Spending Accounts and Health Savings Accounts

Flexible spending accounts and health savings accounts (HSAs) are generally a function of the Internal Revenue Code. Until federal law changes, it does not appear useful to amend these plans to reference same-sex marriages (although any associated health insurance plan may need to be changed).

Taxation of Benefits

If health plans offer benefits to same-sex spouses, the spousal benefits will most likely not be taxable in Minnesota, but will still be subject to federal income tax as long as the federal marriage law (Defense of Marriage Act) remains in place.

MADA Insurance Plans

While it is likely that Minnesota insurance carriers will be required to define "spouse" in a manner consistent with state law, that change may come on renewal of the policy, rather than on August 1, 2013. Because the MADA health, dental and life coverages are all insured, we are working closely with our insurance companies to appropriately implement the new definition of marriage. We are communicating with our carriers and will be providing guidance to dealers participating in the MADA Insurance group plans.

Conclusion

Dealers should review how "spouse" is defined in all benefit plans. Be sure it is used in the intended manner, depending on whether the dealer (1) wants to extend or (2) is required to extend coverages to same-sex spouses. In particular, employers should consider whether benefit plans reference Minn. Stat. § 517.01 which defines "marriage". If a plan references this state statute, then the plan will cover same-sex marriages.

Dealers should check with their insurance agents, brokers and advisors regarding the meaning of "spouse" in any insured benefit plans. Employers would not want to change the definition mid-year without understanding the carrier's position regarding the interpretation of the insurance contract.

Legal News

Start collecting sales tax on paint and materials

One of the good things to come out of the Minnesota Legislature this year is a shift in the collection point of sales tax on paint and materials.

Effective July 1, dealers and other auto repair businesses' purchases of paint and materials for resale are tax exempt.

On the flip side, dealers and repair shops must then start charging sales tax on their retail customers' paint and materials charges.

The new sales tax treatment applies to materials that are used directly on the motor vehicle repair. The law includes a long laundry list of included items such as abrasives, body putty, solder, waxes and welding rods.

Most dealers will take advantage of a method established in the law to calculate the amount of the paint and materials

used in particular repair. The method requires multiplying the number of labor hours by a rate of consideration for the paint and materials following industry standard practices that fairly calculate the gross receipts from the retail sale of



the motor vehicle repair paint and materials. The method must ensure that the State of Minnesota receives at least as much sales tax under the new law as the old.

The customer invoice must either separately state "paint and materials" as a single

taxable item, or separately state "paint" as a taxable item and "materials" as a taxable item.

the commonly used phrase "shop supplies" may not be good enough

As dealers reprogram their customer repair invoices to correctly label and tax the new paint and materials items, MADA suggests that the commonly used phrase "shop supplies" may not be good enough under the new law. The quotation marks around "materials" are included in the law for the customer invoice. The label "shop materials" should be an acceptable alternative.

Please see the Paint and Materials section of the Legislative Wrap Up included with this newsletter for more details.

Legislative News

CAR and DEAC fundraising starts this month

"If you're not at the table, you're probably on the menu." Unfortunately, that's the truth when it comes to politics. Unions, trial lawyers, environmentalists and other business groups are at the table and are raising money to support the candidates who will advance their agendas. Dealers need to be there too!

That's why it's important for you to contribute to MADA's political action committees, CAR and DEAC. CAR supports business-friendly candidates at the state level, while DEAC funds are used for federal candidates.

Watch your mail for your opportunity to contribute to the 2013 CAR and DEAC Fundraising Campaign.

Minnesota Auto Outlook

Released by:
Minnesota Automobile
Dealers Association

Covering the Minnesota automotive market

Data thru April 2013

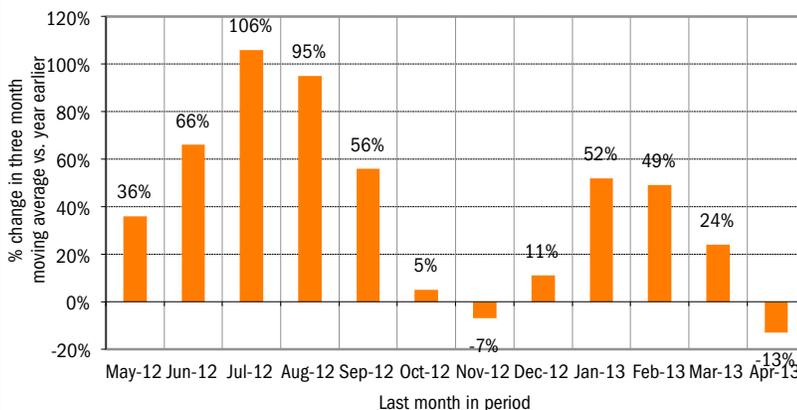
Minnesota New Retail Car and Light Truck Registrations

	Most Recent Two Months			YTD thru April			YTD Market Share		
	3/12 &	3/13 &	%	2012	2013	%	2012	2013	change
	4/12	4/13	change						
Industry Total	35,263	30,359	-13.9%	61,012	69,201	13.4%			
Cars	13,941	12,967	-7.0%	23,925	28,078	17.4%	39.2	40.6	1.4
Light Trucks	21,322	17,392	-18.4%	37,087	41,123	10.9%	60.8	59.4	-1.4
Japanese Brands	10,489	9,929	-5.3%	18,372	21,998	19.7%	30.1	31.8	1.7
Toyota	3,998	3,635	-9.1%	6,685	8,269	23.7%	11.0	11.9	0.9
Honda	2,719	2,740	0.8%	5,048	5,765	14.2%	8.3	8.3	0.0
Nissan	1,792	1,601	-10.7%	3,219	3,452	7.2%	5.3	5.0	-0.3
Other	1,980	1,953	-1.4%	3,420	4,512	31.9%	5.6	6.5	0.9
Domestic Brands	19,295	16,312	-15.5%	33,140	37,632	13.6%	54.3	54.4	0.1
General Motors	8,552	6,939	-18.9%	14,366	16,193	12.7%	23.5	23.4	-0.1
Ford	6,903	6,069	-12.1%	12,180	13,908	14.2%	20.0	20.1	0.1
Chrysler	3,840	3,304	-14.0%	6,594	7,531	14.2%	10.8	10.9	0.1
European Brands	2,722	1,930	-29.1%	4,668	4,469	-4.3%	7.7	6.5	-1.2
Volkswagen	1,312	904	-31.1%	2,390	2,156	-9.8%	3.9	3.1	-0.8
BMW	555	510	-8.1%	938	1,047	11.6%	1.5	1.5	0.0
Mercedes	491	290	-40.9%	747	736	-1.5%	1.2	1.1	-0.1
Other	364	226	-37.9%	593	530	-10.6%	1.0	0.8	-0.2
Korean Brands	2,757	2,188	-20.6%	4,832	5,102	5.6%	7.9	7.4	-0.5

Brands included above: Domestic Brands: GM (Buick, Cadillac, Chevrolet, and GMC), Ford (Ford and Lincoln), Chrysler (Chrysler, Dodge, and Jeep). Japanese: Toyota (Toyota, Lexus, and Scion), Honda (Honda and Acura), Nissan (Nissan and Infiniti), Other (Mazda, Mitsubishi, Subaru, and Suzuki). European: VW (Audi, Bentley, and Volkswagen), BMW (BMW, Rolls Royce, and MINI), MB (Mercedes Benz), Other (Aston Martin, Ferrari, Fiat, Jaguar, Land Rover, Lotus, Maserati, and Volvo). Korean: Hyundai and Kia.

Data Source: AutoCount data from Experian Automotive.

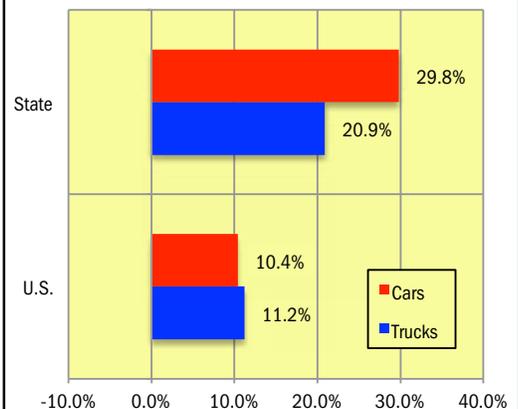
Percent Change in Three Month Moving Average of New Retail Registrations versus Same Period Year Earlier



The graph above provides a clear picture of the trending direction of the state market. It shows the year-over-year percent change in the three month moving average of new retail light vehicle registrations. The three month moving average is less erratic than monthly registrations, which can fluctuate due to such factors as the timing of manufacturer incentive programs, weather and title processing delays by governmental agencies.

Data Source: AutoCount data from Experian Automotive.

Percent Change in State and U.S. New Retail Light Vehicle Markets YTD '13 thru March vs. YTD '12



The graph above compares the change in new retail car and light truck registrations in both the state and U.S. markets. **Note: percent change is for YTD 2013 thru March vs. YTD 2012. Final U.S. figures for April 2013 were not available.**

Data Source: AutoCount data from Experian Automotive

Data Information

All data represents new vehicle retail registrations in Minnesota and excludes fleet and wholesale transactions. Monthly recording of registrations occurs when the data is processed by the DVS. Please keep in mind that monthly registration figures can occasionally be subject to fluctuations, resulting in over or under estimation of actual results. This usually occurs due to processing delays by governmental agencies. Data Source: AutoCount data from Experian Automotive.

Minnesota New Retail Light Vehicle Registrations					
	Registrations			Market share	
	YTD '12 thru Apr	YTD '13 thru Apr	% change	YTD '12 thru Apr	YTD '13 thru Apr
TOTAL	61,012	69,201	13%		
Acura	340	415	22%	0.6%	0.6%
Audi	486	448	-8%	0.8%	0.6%
BMW	733	848	16%	1.2%	1.2%
Buick	1,122	1,465	31%	1.8%	2.1%
Cadillac	430	578	34%	0.7%	0.8%
Chevrolet	10,414	11,414	10%	17.1%	16.5%
Chrysler	1,474	1,387	-6%	2.4%	2.0%
Dodge	1,648	2,383	45%	2.7%	3.4%
Fiat	72	119	65%	0.1%	0.2%
Ford	11,819	13,477	14%	19.4%	19.5%
GMC	2,400	2,736	14%	3.9%	4.0%
Honda	4,708	5,350	14%	7.7%	7.7%
Hyundai	2,214	2,450	11%	3.6%	3.5%
Infiniti	266	360	35%	0.4%	0.5%
Jaguar	12	16	33%	0.0%	0.0%
Jeep	2,043	1,862	-9%	3.3%	2.7%
Kia	2,618	2,652	1%	4.3%	3.8%
Land Rover	143	167	17%	0.2%	0.2%
Lexus	535	733	37%	0.9%	1.1%
Lincoln	361	431	19%	0.6%	0.6%
Mazda	942	1,309	39%	1.5%	1.9%
Mercedes	740	731	-1%	1.2%	1.1%
MINI	205	199	-3%	0.3%	0.3%
Mitsubishi	212	290	37%	0.3%	0.4%
Nissan	2,953	3,092	5%	4.8%	4.5%
Porsche	56	50	-11%	0.1%	0.1%
Ram	1,429	1,899	33%	2.3%	2.7%
smart	7	5	-29%	0.0%	0.0%
Subaru	2,170	2,783	28%	3.6%	4.0%
Suzuki	96	130	35%	0.2%	0.2%
Toyota/Scion	6,150	7,536	23%	10.1%	10.9%
Volkswagen	1,899	1,704	-10%	3.1%	2.5%
Volvo	257	174	-32%	0.4%	0.3%
Other	58	8	-86%	0.1%	0.0%

Top ten ranked brands in each percent change category are shaded green.

Data Source: AutoCount data from Experian Automotive.

WHO ARE MY TOP COMPETITORS?
-BY MARKET AREA-

WHAT NEW AND USED CARS SELL WELL IN MY MARKETS?

ANSWERS DRIVE RESULTS.

You need insights into your marketplace to make the best decisions to maximize profits. The AutoCount® Dealer Report analyzes full details on new and used competitive dealer market share, down to specific areas you define. You bring the questions. We'll bring the answers.

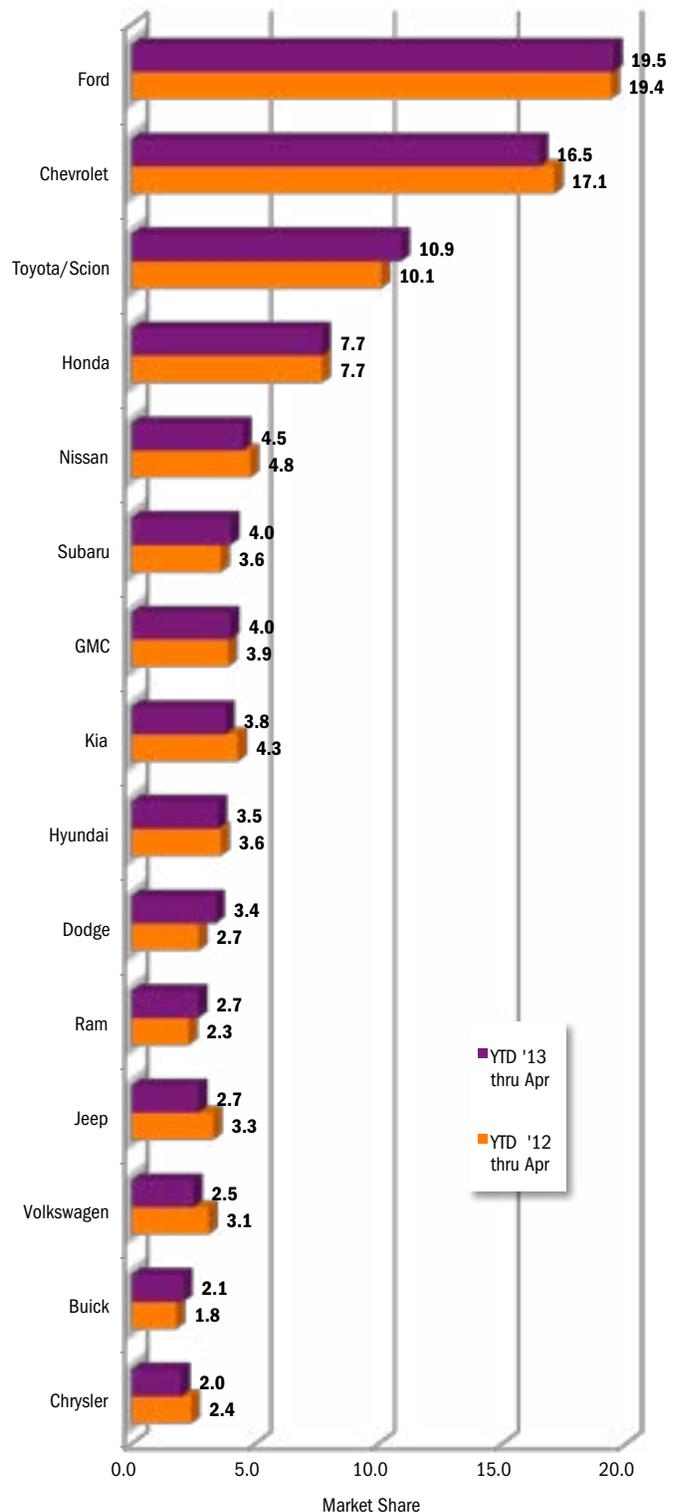
Experian Automotive

Experian Automotive is the data provider for Auto Outlook.

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State Market Share for Top 15 Selling Brands
YTD '13 thru April vs. YTD '12



Data Source: AutoCount data from Experian Automotive.

Collision Update



Collision & Service Council
A Clear Voice for Dealership Collision and Service Centers

Membership growth continues for MADA Collision & Service Council,

with five new members this week. Current members receive copies of this newsletter and the quarterly Minnesota Dealer Outlook magazine, plus emailed updates on a variety of industry topics and discounted training options.

The Council's Advisory Committee has met several times to set priorities for legislative, regulatory and marketplace initiatives that support dealership centers. A special report from MADA's legislative team will analyze 2013 changes that are specific to the repair industry in Minnesota.

The private member reception at the Twin Cities Auto Show in March was popular with Council members and promises to be an annual event.

In addition, consumers are using the "Find a Collision or Service Center Map" to locate members' collision and service centers, according to online tracking reports. If you are a Council member, please be sure to send your [preferences form](#) to authorize listing your center on the map as well as defining your preferences for receiving updates.

FAQ

Q: Our F&I manager doesn't have the authority to sign installment sales contracts for the dealership. When he delivers a vehicle, he has the customer sign the installment contract and he gives the customer a copy. The installment contract is verified for accuracy, signed by a dealer officer and shipped off to the lender. Are we in compliance?

A: No, not without a further step. The customer must be given a copy of the installment contract when they sign it. You're fine up until this point.

However, [Minnesota Law](#) also requires that the customer must receive a dealer-signed copy of the installment sales contract within 7 days of the delivery of the vehicle.

Most dealers authorize F&I managers to execute the installment sales contract and provide the customer a dealer-signed copy along with the rest of the closing paperwork. Dealers who don't operate in this fashion must provide the customer with a second copy that has been signed by the dealership within the 7 days.

Upcoming Events

- Due to members' interest in the national rollout of State Farm's PartsTrader program, the Council is pleased to announce that it has arranged a presentation with a Q/A session in Minneapolis August 1. Speakers are George Avery and Dale Sailer. Avery is Director of P&C Claims at State Farm®. Sailer is VP of Business Development for PartsTrader LLC, the web based quoting and ordering system.
- Mark your calendars for the annual event October 9 of the Council, with an industry update seminar in the morning presented by Mike Anderson, followed by a buffet lunch, a pheasant hunt/shooting clays in the afternoon, and reception.

Space is limited at both events, therefore priority registration will be reserved for Council members.

Members will receive an early registration form and a discounted rate for each event. If you would like to join the Council, the online application is on the website at mada.org/about/CollisionServiceCouncil or you may use the [printable application form](#).



Minnesota Automobile Dealers Association

Endorsed Service & Vendors

Computerized Vehicle Registration
CVR

F&I Products
Protective

Dealership Marketing
Visible Customer

Group Health Insurance
Blue Cross Blue Shield of MN
Delta Dental
ReliaStar Life

Workers Compensation
Ensure Agency
Midwest Family Mutual

Dealer Bond Program
Ensure Agency

Collections
Springer Collections

Check Guarantee/Credit Card Processing
FIS / Certegy

Disability Income Insurance & Section 125 Cafeteria Plans

American Fidelity Assurance

OSHA, EPA & DOT Compliance/Training
ComplyNet Corporation

Fleet Fueling Program
SuperAmerica

Office Supplies
S & T Office Products

Uniforms and Linen Services
AmeriPride Linen & Apparel Services

Hole-In-One Insurance
Hole-In-One-USA

Pre-Paid Legal, Jim Gavin
Identity Theft Shield &
Pre-Paid Legal Services



MADA Services sells a wide variety of products directly to the dealers including business forms, clothing and promotional items. For a full review of options, contact your sales representative at 651-291-2400 or go to www.mada.org

Member News

Tousley Ford of White Bear Lake is now doing business as *AutoNation Ford White Bear Lake*.

Glenn C. MacMillan, former owner of *Pine Motor Company* in Pine River, has passed away. Glenn was MADA President in 1974.

Legislative News

Vehicle gifting rules tightened

The Minnesota Legislature closed a motor vehicle sales tax loophole which offered individuals a little too much temptation to cheat.

Effective for motor vehicle transfers on or after July 1, 2013, the motor vehicle gifting exemption which has been available to unrelated individuals is largely closed down. The sales tax exemption is still available for gifts of motor vehicles between spouses, parents and a child or grandparents and a grandchild. Special exemptions also remain for gifts involving foster children and certain guardian-ward transfers.

Visible Customer Update

Don't get caught in a Trap!

Avoiding **Spam Traps** will protect your email reputation and significantly improve your ability to have your emails actually reach, and be seen by, your targeted consumers.



Internet Service Providers (ISPs) create spam traps to capture the address and identity of individuals and companies who send emails to lists of potential customers. Some of those senders may be blacklisted, preventing their messages from ever reaching their customers.

There are two types of traps: "pristine" and "recycled." While both can damage your reputation, the pristine trap is the most hazardous. Traps are disguised and/or hidden-away from view especially in purchased or rented lists.

Recycled spam traps are old abandoned email addresses that ISPs have taken back and set up to trap and record identities of spammers. As a dealership's internal customer list ages, the potential for these recycled traps increases.

Protecting your email reputation is well worth the effort.

Fax Registration

The Certified Title & Registration Program	Class Options	Circle preferred date	Location
	Sales Tax 9:00 am - 10:00 am \$99	July 9 2013 or Sep. 10, 2013 or Nov. 12, 2013	Doubletree by Hilton - Park Place 1500 Park Place Blvd Minneapolis, MN 55416 
	New to Fleet 10:30 am - 12:30 pm \$99	July 9 2013 or Sep. 10, 2013 or Nov. 12, 2013	
Minnesota Titles and Transfers 1:00 – 3:00 pm \$99	July 9 2013 or Sep. 10, 2013 or Nov. 12, 2013	Registration includes lunch	

Title Basics	Class Options	Circle preferred date	Location
	Title Basics – Minneapolis 1:00 p.m. - 4:00 p.m. \$199	June 19, 2013	Doubletree by Hilton Park Place 1500 Park Place Blvd Minneapolis, MN 55416
Title Basics – Nisswa 1:00 p.m. - 4:00 p.m. \$199	July 16, 2013	Grand View Lodge 23521 Nokomis Ave Nisswa, MN 56468	

Light Duty	Class Options	Date /Venue	Location
	Light Duty – Re-aligning Labor Cost to Market Realities 11:30 a.m. – 2:00 p.m. \$159 Presented by Steve Burton, Labor Attorney - Felhaber, Larson, Fenlon & Vogt	July 18, 2013 Registration includes pizza and pasta buffet lunch	Ramada Plaza Minneapolis 1330 Industrial Blvd. N.E. Minneapolis 55413 

Name _____ Name _____

Dealership _____

Phone _____

E-mail _____