

Legislative News



Republican Wave Turns Statehouse Red

While much of the focus during the 2016 elections was on the top of the ticket, Trump's coattails bolstered down-ballot races. Within the Minnesota Legislature, House Republicans grew their majority from 73 to 76 seats by beating four DFL incumbents. In the Senate, the GOP candidates did even better, knocking off six DFL legislators from Greater Minnesota to gain control of the body 34-33.

However, the Republican gains were not felt across the board. Senate Minority Leader David Hann (R-Eden Prairie) may have helped lead his caucus to victory, but he was unable to hold onto his own seat, losing to political newcomer Steve Cwodzinski. With Hann's loss, there is no clear-cut front runner to lead the Senate Republicans in the majority. In a caucus held two days after the election, GOP senators chose Senator Paul Gazelka (R-Nisswa) as their new leader.

At the congressional level, Minnesota's seven incumbents won their races for re-election, including Erik Paulsen (R-MN3) and Rick Nolan (DFL-MN8). Jason Lewis (R-MN2) succeeded in his bid for Congress, defeating well-funded Democratic candidate Angie Craig to replace retiring Congressman John Kline (R-MN2.)

Through our political action committees - CAR, NADA PAC and Driving MN - MADA was actively involved in the 2016 elections and helped support the re-election of a number of key legislators. Thank you to the MADA members who made financial contributions to help our PACs be relevant and make a difference this election cycle.

inside

MADA Responds to Pinnacle Program

Be Ready for FLSA Changes on 12/1

Don't Miss the Main Event!

...Trump's coattails bolstered down-ballot races.

upcoming events

dec 2 The Main Event
Bloomington

dec 14 SPCC Shop Talk
Minneapolis

visit
www.mada.org
for details, registration
and a complete list of
Upcoming Events and
Training

MADA News



MADA's 2017 TMQDA Nominee

Greg House of House Chevrolet in Stewartville will be representing Minnesota in the 2017 Time Magazine Quality Dealer Award ceremony at the NADA convention.

A third-generation dealer, Greg became the operator of House Chevrolet in the summer of 2010. Dedicated to his community, Greg has served on the Stewartville Fire Department for nearly 40 years, as well as held a position on the city council and numerous other civic organizations. He was also MADA President in 2015.

The ceremony for this prestigious annual award will kick off the NADA Convention in New Orleans on Friday, January 27, 2017, during the Opening Session at the New Orleans Convention Center.



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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MADA News

MADA Joins Chorus of Pinnacle Critics

MADA has joined a host of other state automobile trade associations critical of Cadillac's Pinnacle Program.

In an October 12th letter to GM Chairwoman Mary Barra, MADA President Scott Lambert acknowledged that the brand needed a boost, but cautioned her on the path they had chosen.

The Pinnacle Program is GM's complex seven billion dollar plan to reverse the brand's 30 year decline. But its bold demands on dealers today are not backed up by improved product from the company for at least two more years. This has led to considerable grumbling, especially from smaller rural dealers who are feeling the pinch and forced to consider either giving up the storied franchise or capitulating to a series of financial demands on their stores.

The letter, sent on behalf of the MADA Board of Directors, reminded Barra that smaller dealers are a potentially powerful marketing force for the brand, and should not be forced out with what is essentially a multi-tiered pricing scheme. The letter urges GM not to abandon its rural dealers and customers.

Other states have challenged the program on the grounds that it violates Cadillac's sales and service agreement with its dealers.

To date, GM has remained steadfast in its plans.

Lame Duck Session May Include CFPB Vote

Post election, Congress will meet to take up a number of budget resolutions and other outstanding issues that need action before year's end. NADA is pushing to have reform of the Consumer Financial Protection Bureau (CFPB) on the list of items to be taken up. The U.S. House of Representatives passed H.R. 1737 by a veto-proof margin of 332-96 in November 2015. Hopefully, the U.S. Senate will follow suit before December 31.

When the bill is moved, U.S. Senator Amy Klobuchar (D-MN) will be instrumental in getting the bill passed. If you haven't already, please call her office at 202-224-3244 and urge her to support S. 2663 to preserve consumer discounts on auto credit. The Obama Administration continues to oppose the legislation and defend the Consumer Financial Protection Bureau's (CFPB) attack on indirect lending. Senator Klobuchar needs to hear from you as soon as possible regarding the value of dealer assisted financing. When you call her office, please make the following key points:

- Vote for and pass S. 2663, the Reforming CFPB Indirect Auto Financing Guidance Act.
- This bill would rescind the CFPB's flawed 2013 auto finance guidance and allow the CFPB to reissue it under a transparent process.
- Local dealerships can shop a customer's credit application to dozens of lenders simultaneously. Dealerships are usually able to offer consumers better interest rates than consumers can find on their own.
- Through its guidance, the CFPB is trying to force auto lenders into eliminating a consumer's ability to negotiate a lower interest rate at a dealership when financing a car.
- The CFPB's actions will likely increase costs for my customers and limit competition which currently keeps interest rates down.
- S. 2663 does not impact the CFPB's structure, jurisdiction, or authorities.
- We appreciate your past support of greater transparency at the CFPB when you signed onto the Portman-Shaheen Letter and hope that translates into a vote for S. 2663.
- Thank you Senator Klobuchar for your time and consideration.

Please let MADA President Scott Lambert or Director of Government Affairs Amber Backhaus know if you need any additional assistance before contacting Senator Klobuchar. NADA has additional briefing materials available at <https://www.nada.org/cfpb/>.

**Do you have a training
need or suggestion?
We would like to hear
from you!**

**Please call Alice
at 651-789-2956 or
email alice@mada.org.**

Legal News

FLSA Salary Threshold Rises Effective December 1

The U.S. Department of Labor which administers the Fair Labor Standards Act (FLSA) issued a rule effective December 1, 2016, raising the minimum salary threshold for white collar exemptions to \$913 per week or \$47,476 per year.

Under current law, salaried employees performing executive or administrative duties earning an annual salary of \$23,660 or more are exempt from keeping time records and are not entitled to overtime pay for hours worked over 40 per week. The Labor Department increased this threshold to \$47,476. (Other “white collar” exemptions are provided by law, but don’t typically apply in a dealership.)

Only the salary threshold changed. The duties tests to qualify for these exemptions remain the same.

Executive Exemption: An exempt executive employee’s primary duty must be managing the enterprise, or managing a customarily recognized department or subdivision of the enterprise. The employee must customarily and regularly direct the work of at least two or more other full-time employees or their equivalent. The exempt executive must have effective authority to hire or fire other employees.

Administrative Exemption: An exempt administrative employee’s primary duty must

be the performance of office or non-manual work directly related to the management or general business operations of the employer or the employer’s customers. The administrative employee’s primary duty includes the exercise of discretion and independent judgment with respect to matters of significance.

In addition to the duties tests, there is a salary test for the executive or administrative exemption to apply. Being paid on a “salary basis” means an employee regularly receives a predetermined amount of compensation each pay period. The predetermined amount cannot be reduced because of variations in the quality or quantity of the employee’s work. Nondiscretionary bonuses and commissions may account for up to 10% of the new salary threshold of \$47,476.

Besides the white collar exemptions, other provisions of the FLSA provide car and truck dealers special overtime (but not time record) exemptions for salespeople, mechanics and parts employees. These exemptions do not rely on a salary test and were not changed by the new rule.

Compliance with the Fair Labor Standards Act can be complicated. For members with questions, please feel free to contact your MADA office.

Insurance News

Employee Choices for HC Options

Deadline for Plan Changes

A reminder is being sent out to our dual-coverage dealerships for plan changes. The sooner we get your employee changes, the sooner we can get the changes recorded correctly. Please keep in mind the deadline of December 31, 2016.

MADA Insurance is Here to Help...

But only if you are a new car dealership. The requirements of the MADA Insurance Trust limit participation exclusively to this group of businesses.

Minnesota Auto Outlook

Released by:
**Minnesota Automobile
Dealers Association**

Covering the Minnesota automotive market

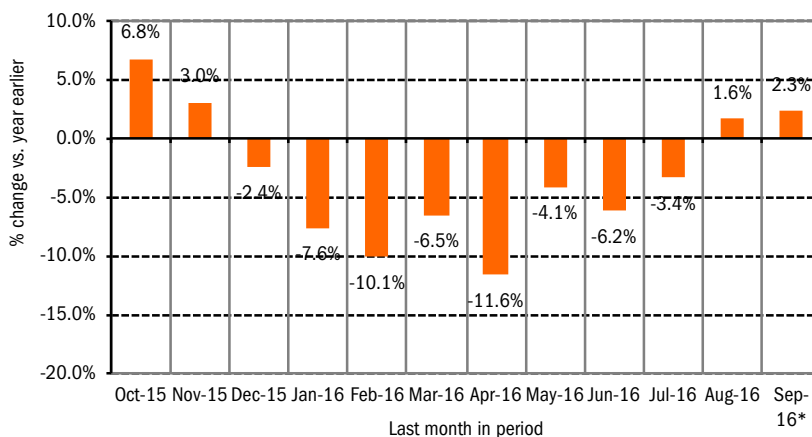
Data thru September 2016

Minnesota New Retail Car and Light Truck Registrations

	Most Recent Two Months			YTD thru September			YTD Market Share		
	8/15 & 9/15	8/16 & 9/16*	% change	2015	2016	% change	2015	2016	change
Industry Total	39,048	42,080	7.8%	157,238	152,410	-3.1%			
Cars	12,778	12,550	-1.8%	54,282	47,139	-13.2%	34.5	30.9	-3.6
Light Trucks	26,270	29,530	12.4%	102,956	105,271	2.2%	65.5	69.1	3.6
Japanese Brands	13,605	14,715	8.2%	54,182	53,124	-2.0%	34.5	34.9	0.4
Honda	3,666	3,791	3.4%	14,132	13,959	-1.2%	9.0	9.2	0.2
Nissan	2,122	2,256	6.3%	8,577	7,499	-12.6%	5.5	4.9	-0.6
Toyota	4,898	5,292	8.0%	19,230	19,205	-0.1%	12.2	12.6	0.4
Other	2,919	3,376	15.7%	12,243	12,461	1.8%	7.8	8.2	0.4
Domestic Brands	20,900	22,450	7.4%	84,244	81,594	-3.1%	53.6	53.5	-0.1
FCA (excl. FIAT)	5,179	5,798	12.0%	20,201	20,135	-0.3%	12.8	13.2	0.4
Ford	7,059	7,015	-0.6%	28,388	26,122	-8.0%	18.1	17.1	-1.0
General Motors	8,618	9,555	10.9%	35,467	35,091	-1.1%	22.6	23.0	0.4
Other	44	82	86.4%	188	246	30.9%	0.1	0.2	0.1
European Brands	2,171	2,370	9.2%	9,121	9,050	-0.8%	5.8	5.9	0.1
BMW	433	568	31.2%	2,128	2,205	3.6%	1.4	1.4	0.0
Mercedes	417	419	0.5%	1,504	1,499	-0.3%	1.0	1.0	0.0
Volkswagen	1,029	1,036	0.7%	4,322	3,963	-8.3%	2.7	2.6	-0.1
Other	292	347	18.8%	1,167	1,383	18.5%	0.7	0.9	0.2
Korean Brands	2,372	2,545	7.3%	9,691	8,642	-10.8%	6.2	5.7	-0.5

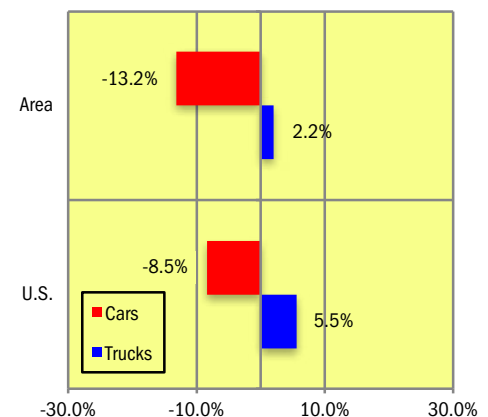
Brands included above: Domestic Brands: GM (Buick, Cadillac, Chevrolet, and GMC), Ford (Ford and Lincoln), Chrysler (Chrysler, Dodge, Jeep, and Ram). Japanese: Toyota (Toyota, Lexus, and Scion), Honda (Honda and Acura), Nissan (Nissan and Infiniti), Other (Mazda, Mitsubishi, and Subaru). European: VW (Audi, Bentley, Porsche, and Volkswagen), BMW (BMW, Rolls Royce, and MINI), MB (Mercedes Benz and smart), Other (Alfa Romeo, Aston Martin, Ferrari, Fiat, Jaguar, Land Rover, Lotus, Maserati, and Volvo). Korean: Hyundai and Kia. *Figures for September 2016 were estimated by Auto Outlook. Data Source: IHS Markit.

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. *Figures for September 2016 were estimated by Auto Outlook. Data Source: IHS Markit.

Percent Change in State and U.S. New Retail Light Vehicle Markets YTD '16 thru September* vs. YTD 15



The graph above compares the change in new retail car and light truck registrations in both the state and U.S. markets. *Figures for September 2016 were estimated by Auto Outlook. Data Source: IHS Markit.

Data Information

All data represents new vehicle retail registrations in Minnesota and excludes fleet and wholesale transactions. 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. For this reason, the year-to-date figures will typically be more reflective of market results. Data Source: IHS Markit.

Minnesota New Retail Light Vehicle Registrations					
	Registrations			Market share	
	YTD '15	YTD '16	% change	YTD '15	YTD '16
	thru Sep.	thru Sep.*		thru Sep.	thru Sep.*
TOTAL	157,238	152,410	-3%		
Acura	1,094	897	-18%	0.7%	0.6%
Audi	1,219	1,278	5%	0.8%	0.8%
BMW	1,777	1,882	6%	1.1%	1.2%
Buick	2,970	2,899	-2%	1.9%	1.9%
Cadillac	951	867	-9%	0.6%	0.6%
Chevrolet	25,161	24,950	-1%	16.0%	16.4%
Chrysler	3,017	2,580	-14%	1.9%	1.7%
Dodge	4,209	3,826	-9%	2.7%	2.5%
FIAT	163	153	-6%	0.1%	0.1%
Ford	27,558	25,284	-8%	17.5%	16.6%
GMC	6,385	6,375	0%	4.1%	4.2%
Honda	13,038	13,062	0%	8.3%	8.6%
Hyundai	4,545	3,612	-21%	2.9%	2.4%
Infiniti	592	495	-16%	0.4%	0.3%
Jaguar	51	84	65%	0.0%	0.1%
Jeep	7,207	7,724	7%	4.6%	5.1%
Kia	5,146	5,030	-2%	3.3%	3.3%
Land Rover	378	344	-9%	0.2%	0.2%
Lexus	1,829	1,901	4%	1.2%	1.2%
Lincoln	830	838	1%	0.5%	0.5%
Mazda	3,366	3,207	-5%	2.1%	2.1%
Mercedes	1,490	1,483	0%	0.9%	1.0%
MINI	351	321	-9%	0.2%	0.2%
Mitsubishi	1,414	1,491	5%	0.9%	1.0%
Nissan	7,985	7,004	-12%	5.1%	4.6%
Other	144	150	4%	0.1%	0.1%
Porsche	215	236	10%	0.1%	0.2%
Ram	5,768	6,005	4%	3.7%	3.9%
Subaru	7,456	7,759	4%	4.7%	5.1%
Tesla	142	225	58%	0.1%	0.1%
Toyota	17,401	17,304	-1%	11.1%	11.4%
Volkswagen	2,888	2,449	-15%	1.8%	1.6%
Volvo	498	695	40%	0.3%	0.5%

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

*Figures for September 2016 were estimated by Auto Outlook.

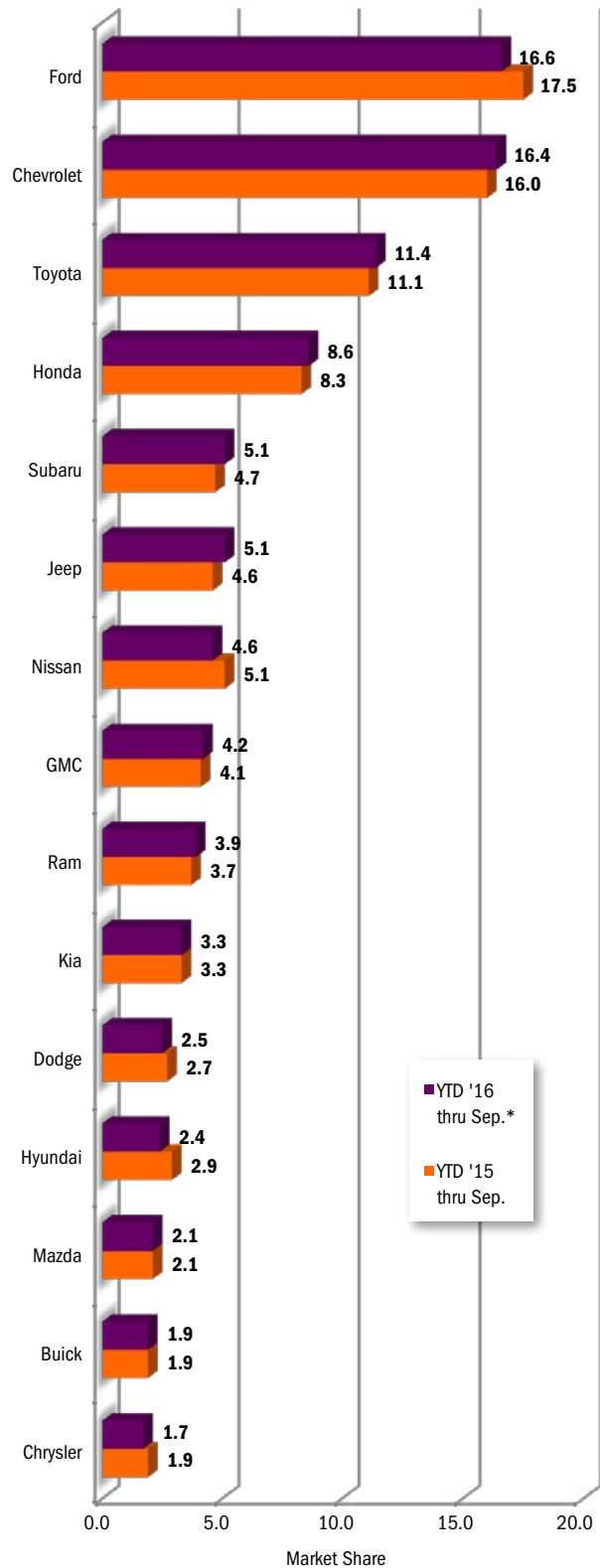
Data Source: IHS Markit.

This report is sponsored by the Minnesota Automobile Dealers Association and produced by Auto Outlook (800-206-0102).

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State Market Share for Top 15 Selling Brands
YTD '16 thru September* vs. YTD '15



*Figures for September 2016 were estimated by Auto Outlook.

Data Source: IHS Markit.

Member News

Congratulations to **Snell Motors' CFO Melissa Bradley** who was recently named as a 2016 "CFO of the Year" in the category of "Medium, Private Company" by the *Minneapolis St. Paul Business Journal*. Melissa is not only dedicated to Snell Motors, but to the industry after having completed MADA's NextGen program in 2015.

MADA extends condolences to the family of **Robert "Bob" Fenlon** who passed away on Saturday, October 8, 2016. Bob served as an attorney for GMADA during his career with **Felhaber, Larson, Fenlon & Vogt**.

MADA News

MADA Dues Billing Coming

2017 MADA annual dues invoices should arrive late this month. MADA is committed to supporting its members with expertise on the most current developments in the legislative, regulatory and legal spheres. Our legal guidance, information services and lobbying work, at both the state and national level, help you gain the edge you need to survive and thrive. Your dues are an important recommitment to the information and assistance we are here to provide. We hope you feel we have earned your support. Similar to last year, the dues billing will appear on your MADA Services Invoice. Please call on us if you have any questions or concerns.

FAQ

Q: What portion of the value of a trade-in vehicle is applied to the customer's tax benefit where the customer receives money back for some of the equity in the trade-in vehicle?

A: Only that portion of the trade that the customer applies to the deal. For example, if a customer trades in a vehicle with a value of \$10,000 and wants a check back for \$5,000 of the equity, the customer will only get a trade-in tax benefit of \$5,000, not \$10,000.

The above does not apply to leases. When dealing with a trade-in toward a lease, the full value of a trade-in vehicle, if it is owned by the customer, can be applied toward the tax benefit of the lease, even if the customer cashes-out some of the equity. For example, in the above instance, the customer would receive a tax benefit of the full \$10,000 if (1) the customer is going to lease a vehicle, and (2) the trade-in is an owned vehicle (i.e. not a lease to a lease).

Contact MADA legal counsel with any questions.



Endorsed Service & Vendors

Check Guarantee/Credit Card Processing
FIS / Certegy

Collections
Springer Collections

Computerized Vehicle Registration
CVR

Dealer Bond Program
Ensure Agency

Disability Income Insurance & Section 125 Cafeteria Plans
American Fidelity Assurance

F&I Products
Protective

Fleet Fueling Program
SuperAmerica

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

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

Lighting
LED Supply Company

Office Supplies
Innovative Office Solutions

OSHA, EPA & DOT Compliance/Training
ComplyNet Corporation

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

Uniforms and Linen Services
AmeriPride Linen & Apparel
Services

Workers Compensation
Ensure Agency



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

ADVOCACY ▪ EXPERTISE ▪ EDUCATION ▪ COMMUNICATION

MADA NEWS ▪ November 2016



**THE MAIN
EVENT**

11AM • FRIDAY • 12•2•16

Silent Auction Opens at 11:00 a.m.
Luncheon Doors Open at 11:30 a.m.
Luncheon Begins at 11:45 a.m.
(Don't miss the opening video!)



The Main Event to Feature Jonathan Sandys

Dealers will not want to miss the 2016 Main Event on Friday, December 2, at the JW Marriott Mall of America.

This annual luncheon event is being modified to forgo the business meeting routine and amp up the elements that have been so popular such as the information, fun, surprises and Silent Auction benefiting the MADA Foundation.

This year's featured speaker is Jonathan Sandys, the great grandson of Winston Churchill, Britain's legendary wartime Prime Minister. Sandys' talk on leadership of courage, faith and integrity has been very well-received around the country.

Visit: <http://www.mada.org/news/MainEvent>