

Iowa Automobile Dealers Association

ACTION UPDATE

IADA Calendar

August 11–12, 2016

IADA Summer Board Meeting
Des Moines

September 20–21, 2016

NADA Washington Conference
Washington DC

November 17–18, 2016

IADA Winter Board Meeting
West Des Moines

Iowa Automobile Dealers Association

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Deery Brothers of
West Burlington

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The *Action Update* newsletter is published every other week by the Iowa Automobile Dealers Association. To add people to our distribution list or share suggestions for future articles, contact Brittany Bungert at 515.440.7620.

Lynch Ford Chevrolet, Lake Chevrolet Donate CPR Training Units to Local Organizations



Lynch Ford Chevrolet (Mount Vernon) donated a CPR training unit to the Mechanicsville Fire and Ambulance Department. Lynch Ford Chevrolet Dealer Principal **Dan Lynch** (left) presented the manikin to firefighter and EMT Christian Cardenas (center left), Fire Chief and Ambulance Coordinator Lonni Koch (center right), and **Austin Knake** (right), who is a training officer with the fire department and a service advisor at the dealership.



Lake Chevrolet (Clear Lake) donated a CPR training unit to Opportunity Village. **Kristina Chmielewski** of Lake Chevrolet (left) presented the manikin to Opportunity Village Training Coordinator Starr Benjamin (center) and Health Trainer Sharon Conrad (right).

The Anderson Report: Iowa Tax Policy Rewards Ownership of Older Automobiles

By IADA President Bruce Anderson

I was at a legislative reception the other day and was asked why the tax on the purchase of cars is so low. I faked confusion for a minute, but I knew right where the conversation was about to go. The person asking the question—in front of a state legislator, no less—seemed to be trying to make two points: First, that automobiles are “only” taxed at 5% while other purchases are taxed at either 6% or 7% depending on whether the jurisdiction has a local option sales tax. The second, and perhaps larger, point that she was trying to make was that automobile dealers must have a powerful and effective government relations program to get such a low “sales tax” rate on their product.

For once in my life, I decided not to be the policy wonk and did not explain that the 5% tax on motor vehicle sales isn't a sales tax at all and is actually a registration fee which is constitutionally protected and dedicated to the construction and maintenance of roads and bridges. Instead I asked her whether she gets an annual bill from her county treasurer for 1% of the list price of her television or shoes or refrigerator.

That is the key point that so many people miss when they complain about the difference between the tax on an automobile and the tax on everything else. There is a significant annual registration fee on the automobile. On everything else, you are free to use your purchased item without the payment of further taxes for as long as you'd like.

After 11 years on the road, the state of Iowa has collected a tax of at least 14.5% on the sale of that car.

When you do the math, the effective “sales tax” rate on automobiles is pretty hefty. In fact, it's like an annuity for the Iowa Department of Revenue. Most motorists do not understand the method used to calculate the annual registration fee, but really it's pretty simple: 40 cents for every

100 pounds of weight plus 1% of MSRP for each of the first seven years, .75% of MSRP for years 8 and 9, and .5% of MSRP for years 10 and 11. For years 12 and beyond, the rate is \$50 plus 40 cents per 100 pounds of weight. That annual registration fee requirement applies to whoever owns the vehicle, so if it is sold or traded halfway through, the new owner gets to pick up where the previous owner stopped (after paying 5% of the purchase price, of course). That means that after 11 years on the road, the state of Iowa has collected a tax of at least 14.5% on the sale of that car—and that's not even counting the 40 cent hundredweight tax.

I know that's a lot of math and you were probably not expecting a story problem, but that is more than double the 7% sales tax rate. Even if the customer had a trade-in credit that completely eliminated the initial 5% fee on new registration, the state is still collecting 9.5% during the first 11 years that car is on the road.

You may be wondering what point I made other than that I might not be the most entertaining guy to stand next to at a legislative reception. There are two:

1. Cars and trucks are not under-taxed in Iowa.
2. Iowa has a tax policy that rewards ownership of older automobiles and discourages the purchase of newer vehicles that are safer and more fuel efficient.

Dealer News

Automotive News Names 2016 Best Dealerships to Work For

Congratulations to **Audi Des Moines** (Johnston), **Dave Wright Nissan Subaru** (Hiawatha), and **Mercedes-Benz of Des Moines** (Urbandale) on being named to the 2016 Automotive News Best Dealerships to Work For list.

Two of the honorees previously earned recognition on the Best Dealerships to Work For list. Mercedes-Benz of Des Moines placed 45th in 2015. Dave Wright Nissan Subaru has made an appearance on the list every year it has come out, placing 50th in 2015, 13th in 2014, 51st in 2013, and 22nd in 2012. The 2016 rankings will be announced in October.

[Visit the Automotive News website to see all the dealerships on this year's list in alphabetical order.](#)

Nissan Announces 2016 Award of Excellence Winners

Congratulations to **Edwards Nissan** (Council Bluffs) and **John Deery Motors** (Cedar Falls) on earning the 2016 Award of Excellence from Nissan.

Dealer Bonds: What You Need to Know to be Compliant

The Department of Transportation must receive a rider to existing dealer bonds indicating that the value of the bond has increased to \$75,000 before a business' dealer license is renewed at the end of the year.

Dealers who obtain their bonds through the IADA program don't need to do anything to be in compliance with this requirement. By September 1, Merchants Bonding Company will file a blanket rollover endorsement with the DOT for all bonds purchased through the IADA program. All dealers who obtain their bonds through IADA will immediately be in compliance at no additional cost to the dealers for the increased coverage through the end of 2016 and will receive a copy of the \$75,000 bond in the mail, along with an invoice for the 2017 bond.

Dealers who do not obtain their bonds through the IADA program will need to make sure that the DOT receives a rider indicating that their bond value has been increased before the dealer license renewal cycle begins. The DOT will not process the dealership's license renewal until an updated bond is on file. The rider should clearly identify the dealership name and any DBA names. It can be faxed to 515.237.3056 or emailed to vscusto@dot.iowa.gov.

State Franchise Laws Lower Prices and Benefit Consumers

By Jeff Carlson, 2016 NADA Chairman

A new economic report from the Phoenix Center for Advanced Legal and Economic Public Policy Studies makes one overriding conclusion: State auto franchise laws lower retail prices of new cars, which benefits consumers.

The study, "State Automobile Franchise Laws: Public or Private Interests?" was released in July after years of debate and speculation about the benefits of the dealer franchise network. Professor T. Randolph Beard and Dr. George S. Ford, authors of the study, found that franchise laws do not limit competition or lead to higher prices. Quite the opposite, they found that "all the evidence suggests there is intense competition leading to very low margins on new car sales." This, in turn, demonstrably lowers prices for consumers and alters the way they buy cars and service in a very positive way.

And how does the dealer network compare to manufacturers?

Dr. Ford reports that when selling an automobile-service bundle, the analysis indicated that "franchised auto dealers have a better incentive with respect to consumer desires than car manufacturers." Thus, it makes sense that state legislatures choose a market design that best fits their constituents.

This latest report reaffirms the messages that the National Automobile Dealers Association—and auto dealers nationwide—have been espousing: The car-buying public is better served with our services than without.

For more than 100 years, car buyers have been relying on a system that delivers the most efficient and cost-effective way of buying a car—through franchised dealers. Automakers contract with dealers because we incur billions of dollars in expenses for equipment and facilities; we deliver in-person customer service you cannot get through a computer screen; and we reduce consumer costs through a competitive model that lowers retail prices and makes purchasing possible through dealer-assisted financing.

This latest report is also consistent with what respected auto analyst Maryann Keller reported at a Federal Trade Commission panel earlier this year. She cited empirical evidence showing that intra-brand competition among dealers significantly lowers new-car prices. A direct-sales model would not benefit consumers in the same way. Moreover, the franchise network also promotes public safety and instills confidence in the consumer that there is someone there to help service the vehicle when needed. State governments require dealers to invest in facilities so that help is available to car owners throughout the life of the vehicle, and not just at the point of sale.

As regulators such as the Federal Trade Commission continue to probe the benefits of the franchise system, we urge them to remember that the franchise laws in place not only promote competition in the free market but public safety for all. And yes, that is a win-win for consumers and dealers alike.

Visit NADA.org/GetTheFacts to learn more about the benefits of the dealer franchise system.

Jeff Carlson is 2016 NADA chairman and a Ford and Subaru dealer in Glenwood Springs, Colo.

Annual Sales Tax Holiday August 5–6

The annual Iowa sales tax holiday will be Friday, August 5 and Saturday, August 6. This will impact your parts department or pro shop if you sell clothing, including t-shirts and hats.

During the annual sales tax holiday, which takes place the first Friday and Saturday of August every year, Iowa sales tax cannot be collected on clothing or footwear priced at less than \$100. All businesses selling those items are required to participate.

Sales that qualify as exempt must be reported and then deducted on your quarterly sales tax return. Retailers that improperly charge sales tax on clothing or footwear during the tax holiday will be required to make refunds in the event of an audit or complaint.

For more information, visit the [Department of Revenue website](#).



Hawkeye Financial Services Hosts Golf Outing

Hawkeye Financial Services hosted a golf outing July 14, 2016 at The Legacy Golf Club in Norwalk. More than 100 dealers, F&I managers, and dealership employees participated.

Hawkeye Financial Services to Host F&I Menu Objection Handling Training

Hawkeye Financial Services is hosting an F&I menu objection handling training session at IADA headquarters Wednesday, October 12 and Thursday, October 13. The training will last from 8:30 a.m. to 5 p.m. Each attendee must provide a check for \$189, which will be refunded after successful completion of the class. [Please fill out and return the registration form](#) by September 26 to secure your spot.

For more information on the training, contact Marissa Hager at 515.226.8440 or mhager@hawkeyelife.com.