



January 6, 2021

Anderson Report: What Is Your Experience Selling, Servicing Electric Vehicles?

BY IADA PRESIDENT BRUCE ANDERSON

Not all that long ago, folks had two options when it came to buying a car. They could either go to an automobile dealer or they could scan the classified ads and find a vehicle that was being sold privately by the owner. That obviously changed with the arrival of market “disruptors” who seem to think customers are best served by buying their cars sight-unseen on the internet, or directly from the manufacturer for some electric vehicles—or even from a giant gumball machine.

Despite having one of the nation’s strongest motor vehicle franchise laws protecting Iowa’s consumers and motorists, there are still many cars and trucks being added to the private fleet of vehicles in Iowa through those “upstart” channels. I have been asked by dealers more than once if there is anything that Iowa can do to strengthen its law even more to protect Iowans from sketchy out-of-state remote sellers and electric vehicle manufacturers selling directly.

I take those questions seriously and am constantly looking for ways and opportunities to improve and strengthen the Iowa motor vehicle franchise statute. But another question that I think is just as important, is why in the world would any Iowan want to buy a car or truck from a seller like that? Think about it: Their business model is selling vehicles sight unseen. In some instances, taking vehicles in on trade without inspecting or assessing them; in others, selling unfamiliar and unproven electric vehicles with no local or nearby service or warranty repair facilities.

Seriously, why would anyone buy a car that way? I don’t ask that question as a sneering disapproval of folks who do (although I do disapprove). I ask it because I honestly want to know. If you have the answer or have had customers share one with you, I’d love to hear from you. You get to talk to a lot more consumers than I do, but I have heard at least three different



answers from legislators and regulators. I think all of them are wrong.

The first answer I’ve heard is the one online sellers promote, saying that it’s a high-pressure hassle to shop at a dealership. The second is that customers who want to buy electric vehicles are discouraged from doing so at dealerships. The third is that dealership service departments are not equipped to maintain and repair electric vehicles.

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The problem for IADA’s legislative efforts is that those answers get thrown at us when we try to preserve and enhance the current law in order to protect customers from unscrupulous, unlicensed, and non-bonded out-of-state sellers and from manufacturers who don’t want to provide the warranty and recall repair system or the intra-brand price competition that a dealer network provides.

You and I know that those answers just are not true. But it would sure help prove them wrong if I had real life, real time data to back me up—especially as it relates to electric vehicle sales and service at Iowa dealerships. I don’t need to know every time that you sell or service one, but please take a minute or two and [shoot me an email](#) or give me a call (515.440.7630) and let me know what your dealership’s experience has been with EVs.

Consumer Credit Code Notification Form

Every dealer arranging auto lending must [file a notification and pay a \\$50 fee](#) to the Iowa attorney general by January 31. All dealers who sign retail installment contracts must file. You can find [dealer-specific instructions on how to fill out the form on the IADA website](#). The attorney general's office also has [filing information on its website](#).

Form 8300 Notification

The IRS requires that customers who are identified on cash reporting Form 8300 during 2020 be notified in writing by January 31, 2021. Form 8300 is required to be reported on any consumer transaction in which your dealership receives more than \$10,000 cash. The notice must state your dealership's name and address, the amount you reported on the form, and a statement that the information has been reported to the IRS.

One requirement in the IRS cash reporting rule is easy to miss. When a customer uses more than \$10,000 in a cash transaction or related transactions, the recipient must report the receipt(s) on Form 8300. The trick is knowing when transactions are related.

Transactions are related when:

1. Two or more transactions occur between a payer and a recipient totaling more than \$10,000 in a 24-hour period. That is a hard and fast rule that has nothing to do with calendar days, business days, or banking days. It means that if you accept two or more cash payments totaling more than \$10,000 within a 24-hour time period, you must comply with the IRS Form 8300 reporting requirements.
2. Transactions are related even when there are more than 24 hours between the cash payments if the business knows, or has reason to know, that each is a series of connected transactions. For example, if a customer pays \$9,000 for a pre-owned truck and orders running boards and a bed liner at the same time, which she contractually agrees to pay for "when installed," and then pays more than \$1,000 for those items when delivered.

For more information, review the [IRS Form 8300 Reference Guide](#) or ["Summary of the \\$10,000 Cash Reporting Rule"](#) in the IADA Legal Library.

Spread the Word: Applications Available for \$2,500 Scholarships

Does your dealership want to help students interested in the auto industry further their education? Let them know about the [\\$2,500 scholarships from the Iowa Automobile Dealers Foundation for Education](#).

Applications for the foundation's annual scholarships are due on March 1, 2021. As many as 25 scholarships will be awarded to students committed to pursuing careers in the automotive retail industry.

This year, students can [fill out the application online](#), including submitting supplemental materials, such as a recommendation from an IADA member dealership. Dealerships that recommend students who ultimately are awarded a scholarship will have the opportunity to present the scholarships to those students.

Contact Mary Cason with questions about the foundation or scholarships. She can be reached at mcason@iada.com 515.440.7625.

DEALER NEWS

Rottinghaus Joins NIACC Alumni Board

Paul Rottinghaus of Zip's Truck Equipment (New Hampton) recently joined the [NIACC alumni advisory board](#).

If you have dealership news to share, let Brittany Bungert know. [Send her an email](#) or call 515.440.7620.

Don't Overstuff Envelopes

Many dealerships are overstuffing the standard #10 envelopes when sending titling documents to county treasurers. When envelopes are overstuffed, either the envelope flap pops open in transit, risking the documents getting lost, or the envelope is taped shut and the documents get mangled when going through the automatic envelope opener.

IADA Printing & Promotions can help procure envelopes of all styles and sizes for Iowa dealerships. Visit the [IADA Printing & Promotions store for examples of available envelopes](#) or email promoprint@iada.com to request an envelope size not listed.

Calculating Sales Tax on Complimentary Repairs

In situations where dealers perform service work on a vehicle at no charge to the customer, it is important to properly collect and remit sales tax.

Some dealers might assume that because the customer is not paying anything, there is no sales tax due. Others might think that if the sales department of the dealership is "paying" the service department of the dealership through an internal accounting process, the entire transaction is subject to sales tax.

Neither of those interpretations are correct. Instead, dealers should pay sales tax on the wholesale acquisition price of the parts. This is because the dealership purchased the parts for resale but ended up giving them away, thus losing the exemption. Since there is no charge for the labor being provided to install the part, there is no sales tax due on the labor.

If you prefer, it is permissible to pay sales tax on the retail price of the part.

The Iowa Department of Revenue has reviewed and confirmed IADA's interpretation of when sales tax is due in this scenario.

Contact IADA President Bruce Anderson at 515.440.7630 or banderson@iada.com with questions.

Legislative Session Begins January 11

The 2021 legislative session will begin Monday, January 11, kicking off a session that will look different from previous years due to coronavirus concerns.

IADA's legislative counsel, Brad Epperly of Nyemaster Goode, expects to see fewer subcommittee meetings for bills, and those subcommittee meetings that are held will take place in larger rooms. This may create scheduling challenges that slow down the legislative process.

The transportation committees, where most legislation impacting dealers begins, will be led by familiar faces. Representative Brian Best will again chair the House transportation committee while Senator Waylon Brown, who previously served as Senate transportation committee vice chair, will become chair.

The IADA Board of Directors approved the association's 2021 legislative agenda during its November meeting. The highest priority for this session is to pass legislation that introduces a cost of living adjustment to the statutory cap on documentary fees and eliminates the doc fee cap rollback once electronic registration and titling is available statewide.

Key Dates for the 2021 Session

March 5: The first funnel by when Senate bills must be out of Senate committees and House Bills out of House committees.

April 2: The second funnel by when Senate bills must be out of House committees and House bills out of Senate committees.

April 30: The 110th day of the session, when legislators' per diem expenses end.

Webinar: Automotive Advertising Regulations

Whether you work with a vendor or create your advertising and marketing in-house, all dealers need to know the regulations regarding automotive advertising or risk heavy fines for non-compliance.

IADA is hosting an [automotive advertising webinar](#) on January 20 from 9:30 to 10:30 a.m., which will cover important topics such as:

- Trigger terms
- Source of vehicle advertising
- Text message marketing
- Email advertisements
- Clear and conspicuous disclosures
- Penalties

[Register to attend.](#)

Business Hours Reporting Requirement Waiver Ends

The waiver from the Department of Transportation permitting Iowa dealerships to change business hours without notifying the Department of Transportation ended on December 31, 2020.

The DOT waived the requirement that a motor vehicle dealer must file a change in business hours in writing with the DOT 10 days before the changes go into effect in 2020, allowing dealerships to respond more nimbly to the pandemic as an initial emergency order suspending the requirement lapsed. As the situation has stabilized and dealerships have developed ways to successfully continue to operate despite the ongoing public health emergency, that waiver has expired.

Dealerships are required to be open and staffed 32 hours per week. Only hours between 7 a.m. and 9 p.m. Monday through Friday count toward the 32-hour requirement.

Regulatory Refresh: Record Retention

An effective record retention policy means more than merely keeping records for a set amount of time. It also requires the timely destruction of records once the retention time period has passed.

Keeping records longer than required creates significant legal and security risks. IADA recommends regularly shredding outdated paper records.

Many dealerships are moving to storing records electronically, which is permissible if you follow requirements established by the IRS.

- The records must be indexed and searchable by customer name and chronologically. It is not enough to just have it stored; you have to be able to find it quickly.
- Records that are stored electronically must be capable of being accurately reproduced. That means the system must be able to produce and print an exact reproduction of the original document as opposed to creating a new document with the data points contained in the original.
- The same (or better) access/security requirements that are in place for paper records should be in place for electronic records. Just as every employee in the dealership does not have access to human resource/employment records or customer account records, electronic versions of those records need to have the same limited access through password protection.

As dealerships begin using the electronic registration and titling system, the requirements for retention change. Any paper documents submitted through the ERT system must be retained for six months.

For more information, review the IADA record retention guide on the next page or consult NADA's [A Dealer Guide to Federal Records Retention and Reporting](#).

Iowa Auto Dealer Seeks Dealerships Supporting Schools

Iowa Auto Dealer magazine wants to hear about how dealerships across the state are supporting schools and education for an upcoming article.

Contact IADA's Brittany Bungert at bbungert@iada.com or 515.440.7620 to share your dealership's story.

Accounting

Audit Reports	Permanently
Accounts Receivable or Payable Ledger	8 years
Bank Statements and Reconciliations	5 years
<i>Canceled Checks</i>	
Payroll and General	5 years
For Purchase of Assets	5 years after asset disposition
Capital Stock Book	Permanently
Cash Disbursement Journal	8 years
Cash Received Journal	8 years
Expense Reports	6 years
Expense Ledger	8 years
Financial Statements	8 years, retain permanently if no formal audit reports.
General Ledger and Journal	Permanently
Interdepartmental Sales Journal	8 years
Inventory Records (Annual)	8 years
New Car Sales Journal	8 years
Notes Receivable Ledger	8 years
Parts, Accessories, and Service Sales Journal	8 years
<i>Payroll</i>	
Earnings Records	5 years
Journal	5 years
Time Cards	3 years
<i>Petty Cash</i>	
Vouchers	3 years
Summary Envelope	3 years
Prepaid and Accrued Expenses Journal	3 years
Subsidiary Ledger	8 years
Trial Balances	8 years
Vouchers: Vendors, Employees	8 years

Corporate

Articles, Bylaws, Minutes, Other Corporate Records	Permanently
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Correspondence

General	Permanently
Legal and Tax	10 years

*Each item in the deal jacket has its own retention requirement. Unless you want to strip the file, keep the car deal for 10 years, or, in the case of contracts performed over time, for 10 years past the contract's expiration.

**The Used Car Buyers' Guide is not required to be kept, however, if you don't keep a signed copy it will be difficult to prove that your customer received one.

Operations

Accident Reports	6 years
Bills of Lading	10 years
Buyer's Guide—Used Car**	No requirement*
Car Invoices*	6 years*
Car Purchase Orders*	10 years
<i>Credit Applications</i>	
Denied*	7 years*
Approved*	7 years*
Credit Card Slips	1 year
Credit Denial Notices*	5 years*
Criminal Background Checks	1 year
Customer Files*	10 years*
Damage Disclosure Statements*	5 years*
<i>Employment Applications</i>	
Terminated and Not Hired	3 years
Hired	3 years after termination
Insurance Policies—Expired	4 years
Internal Repair Orders*	3 years
Junking Certificates	3 years
Odometer Statements*	5 years
OSHA Records	6 years
Personnel Files	6 years after termination
Purchase Orders	6 years
Repair Estimates	9 months
Repair Order Check Sheets	2 years
Repair Orders	6 years
Retail Installment Contracts*	10 years
Sales Invoices	6 years
Service Contracts/Extended Warranties*	10 years after expiration
Shipping, Receiving Reports	6 years
Underground Storage Tanks—Testing/DNR Correspondence	Permanently
Uniform Hazardous Waste Manifests	3 years
Vendor Invoices	6 years

Taxes

Form 8300	5 years
<i>Income Tax Returns</i>	
US and State	Permanently
Related Work Papers	5 years
IRS Audit Results	Permanently
Unemployment Tax Returns: US and State/Related Work Papers	5 years
Withholding Tax Returns: US and State/Related Work Papers	5 years
Withholding Tax Statements	5 years