

TREND SPOTTING

Chrysler introduced an SRT version of its popular 300C. The hemi V-8 is bored out to 6.1 liters and the engine can generate up to 425 horsepower. With 420-pound-feet of torque, the SRT can hit 60 mph in just over five seconds. The engine features breathing cylinder heads and exhaust, a revised cam profile, and a 6200-rpm redline.

Jaguar will bring its X-type wagon to the U.S. market in 2005. With an MSRP of \$36,995, the V-6 Sportwagon will join two other new X-types, the V6 Sport Sedan (\$37,945) and the luxury V6 VDP model (\$38,745).

BMW plans to invest more money in its slow-selling Rolls Royce Phantom. First up will be a long-wheelbase version, which targets the Maybach 62 and the Bentley Armage. Look for a Phantom convertible, as well as several models mimicking Bentley's Mulliner. Rolls could also develop a crossover based on the BMW X5/X7 as early as 2008. There is also talk of a Rolls hatchback coupe and even an SUV.

DealerWare LLC, maker of the F&I Menu Wizard software, announced its new D.E.A.L. Cam, a video camera for F&I monitoring, training and evaluation. The D.E.A.L. (Dealer, Evaluation, Archived, Library) Cam lets dealers record F&I deals and upload the videos to DealerWare's secure server via the Internet. Authorized users can view the videos from any location through Internet login. The videos will remain on the server for 30 days. After the 30 days, dealers can opt to get copies of the footage on DVD-R digital media.

Cost segregation can increase cash flow for car dealers

By Robert Rahner, ASA, CFA

Changes to the tax law combined with unprecedented new construction and renovation of car dealerships can add up to significant tax savings for dealers who commission cost segregation studies.

Editor's note: Although dealership accountants and DealersEdge (DE 12/8/03, 9/29/03, 12/31/01) have been banging the drum over the benefits of cost segregation studies, many franchised dealers, for their own reasons, have not taken advantage of this tax deferral scheme.

Some of the leading automotive dealers are taking advantage of cost segregation studies as a method to accelerate depreciation deductions and decrease their taxable income. Specialized engineering firms, with their blend of tax, engineering and construction expertise, can reclassify up to 40 percent of a dealership building...costs that the dealer's accountants included in the building itself. The result is a quicker write-off of your buildings and lower taxes for you.

Significant \$\$ involved

How much can be saved? Consider a dealership with a cost (ex-

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cluding land) of \$3 million. A typical study performed by a cost segregation specialist can conservatively reclassify 29 percent of the property to a shorter recovery period, resulting in tax savings of \$174,000, first year additional depreciation of \$80,000 and first year tax savings of \$31,000. The typical fee for a project of this type is about \$6,900.

The benefit associated with several recently completed projects are shown in the table below.

Do you have an existing building? No problem. A retroactive study can be performed without the problems associated with amending prior year tax returns or IRS approval.

To determine if a cost segregation study is appropriate for your property, ask yourself the following questions: Is the cost of the building (land excluded) at least \$750,000? Have you purchased, constructed or renovated any property in the past 12 years? Do you plan on retaining the property for at least the next few years?

Dealership Type	Type of Study	Total Benefit	Total Cost	5-Year Property	7-Year Property	15-Year Property	39-Year Property
Volkswagon	New Construction	\$179,000	\$3,541,000	\$531,000	\$23,000	\$693,000	\$2,294,000
Toyota	Retroactive	\$146,000	\$2,743,000	\$181,000	\$5,000	\$641,000	\$1,916,000
Chevy	Acquisition	\$131,000	\$2,615,000	\$263,000	\$15,000	\$751,000	\$1,586,000
Ford	Acquisition	\$172,000	\$3,920,000	\$385,000	\$5,000	\$964,000	\$2,566,000
Lexus	New Construction	\$116,000	\$2,732,000	\$245,000	\$14,000	\$649,000	\$1,824,000
Honda	New Construction	\$210,000	\$3,559,000	\$450,000	\$151,000	\$967,000	\$1,991,000

What is covered

Dealers might not think about such things when they are rebuilding a store or adding service shop capacity but most of the following installations come under the purview of a cost segregation study: compressed air systems, floor drains and piping, electrical dedicated to equipment and exhaust systems in the service area; carpeting, data cabling and specialty lighting in the showroom/office area; and asphalt paving, site lighting and drainage outside the building footprint are examples of items that are reclassified.

Do you have net income that is currently taxed? Cost segregation is a valuable service if you can answer “yes” to these questions.

Join DealersEdge for Surviving the Legal Assault on F&I

Audio conference scheduled to present ways to avoid F&I litigation and still boost profits.

The screws continue to tighten on dealership F&I departments. Class action lawsuits are still on the rise with the result that well-intentioned car dealers have to defend themselves against often-frivolous allegations of payment pack-

ing, Truth-In-Lending violations, and worse.

But there is good news. DealersEdge invites dealer/principals, general managers, controllers, and F&I managers to join nationally recognized trainer