



ARKANSAS AUTOMOBILE DEALERS ASSOCIATION

AADA NEWS AND WEBINAR ANNOUNCEMENT AUGUST 29, 2022

FORVIS

FORVIS TO HOST FREE WEBINAR SEPTEMBER 7

We are pleased to announce that FORVIS is offering a webinar on two critical items facing Arkansas dealers, **the Federal Trade Commission (FTC) Safeguards Rule and the Employment Retention Credit:**

Date: Wednesday, September 7, 2022

Time: 10:00 a.m. - 11:00 am

Cost: Free

As many of you may know, the accounting firms of BKD CPAs & Advisors and Dixon Hughes Goodman recently merged to form FORVIS, and are offering to provide dealers with expert advice on these two key items.

First, the December 9, 2022 deadline for compliance with the FTC's updated Safeguards Rule is rapidly approaching. This updated rule will create significant additional technical and administrative requirements for handling customer information for dealers and others such as internal penetration testing, vulnerability assessments, use of multi-factor authentication, data encryption, security awareness training, and the performance of written risk assessments. The experts at FORVIS will help provide insight on making sure dealers are prepared for this deadline.

Second, dealers are being approached on a daily basis by companies offering to assist with the decision to apply for the Employment Retention Credit. The team at FORVIS will give dealers all the necessary tools to determine whether this is a good or bad option for your stores.

Recommended Attendees

Dealer principals, IT staff, legal counsel, GMs, Business Managers, Controllers, and other personnel responsible for accounting decisions as well as information security are all encouraged to join this webinar.

Add this event to your calendars today, and we will send out registration information later this week.

For additional information or if you have any questions, please contact Greg Kirkpatrick at (501) 372-2596 or greg@arkautodealers.com.



DEALERS FACING SEVERAL CHALLENGES WITH NEW FEDERAL LAWS AND REGULATIONS

Inflation Reduction Act of 2022 and EV Credits

On August 16, President Joe Biden signed the Inflation Reduction Act of 2022 (IRA), a \$750 billion slimmed-down Democratic climate, prescription drug, and tax increase bill previously known as the Build Back Better (BBB) bill.

The IRA “does not include any of the major tax increases adverse to dealers that had been originally proposed in the BBB bill, and it preserves state dealer franchise laws despite legislative threats from direct electric vehicle (EV) sellers,” NADA reports. It also did not contain additional tax credits for vehicles assembled in union factories as previously proposed.

According to vehicle manufacturers, however, the law, which is effective January 1, 2023, essentially makes almost all EV’s unqualified to receive tax credits due to where they are assembled, the sourcing of their components, their price, and the incomes of their potential purchasers. The complex requirements caused Automotive News to title an article on the law “New EV Tax Credits Raise Fear of a ‘Messy Scenario’ in Dealers’ Showrooms.”

Please [CLICK HERE](#) for a summary of the legislation prepared by NADA.

FTC Rule on Fast Track

Last week the Federal Trade Commission (FTC) voted 5-0 (three Democrats/two Republicans) to deny a request by NADA to extend the comment period on its rule that it has proposed “to ban junk fees and bait-and-switch advertising tactics that can plague consumers throughout the car-buying experience,” in the commission’s words.

In response to the denied request, NADA said “the FTC’s refusal to grant a routine extension of a public comment period, particularly for a proposed rule of such sweeping magnitude that involved no advanced notice, further displays an unnecessary and

misguided rush to judgement in this matter. This proposed rule would cause great harm to consumers by significantly extending transaction times, making the customer experience much more complex and inefficient, and increasing prices, and NADA again urges the FTC to go back to the drawing board before forcing a series of unstudied and untested mandates lacking evidence that will have such significant negative impacts on customers.”

NADA says that the “FTC’s proposed rule if finalized without changes, would drastically alter the way franchised dealers advertise, sell, and finance every new or used vehicle, and would impose exceedingly burdensome record-keeping requirements. As a result, our customers would spend more time to buy a car, not less as asserted in the FTC’s proposed rule.”

The comment deadline is now September 12. NADA, ADAA, and most other state associations will be providing comments to the FTC. ADAA’s comments will focus on a series of state laws adopted by the Alabama Legislature and supported by ADAA that regulate virtually all F&I products and provide significant consumer protection.

“We of course agree with the concept of protecting consumers, and we are generally supportive of common-sense improvements,” NADA says. “However, these new FTC regulations would undermine our efforts to improve the customer experience, provide more of the purchase process online and continue to increase transparency.”

Absent a court action or change of heart by the FTC, the new rule could become effective in early 2023.

Safeguards Rule/December 9 Compliance Deadline

With an effective date of December 9, 2022, the Federal Trade Commission (FTC) has vastly expanded its Safeguards Rule which “contains a significant number of new and expanded procedural, technical, and personnel requirements that financial institutions, including dealers, must satisfy to meet their information security obligations,” according to NADA, which has provided the “Amended Final Safeguards Rule/Preliminary FAQ’s” [CLICK HERE](#). It has also produced a comprehensive Guide that may be obtained by logging into your NADA account on www.nada.org.

An earlier study commissioned by NADA when opposing the rule indicated that the cost of compliance could be as much as \$200,000 annually per dealership.

To prepare for this deadline, join us on September 7 at 10 a.m. for the FORVIS webinar. In the meantime, several compliance companies, including ComplyAuto, [CLICK HERE](#), can assist you and have somewhat lessened the financial burden.

LIFO

With COVID supply chain issues severely impacting vehicle inventory, dealers who use the LIFO (last in-first out) accounting method face major unanticipated tax liability due to circumstances beyond their control.

Thus far, the Treasury Department has refused to use existing legal authority to offer relief.

NADA is now supporting legislation [CLICK HERE](#) to allow dealers to extend the period to replenish inventory and compute LIFO reserve/recapture until the end of 2025.



AADA PREPARING FOR THE 2023 LEGISLATIVE SESSION

We are currently preparing for the legislation session next year. Nothing is more critical right now than for each Arkansas dealer to be politically active with your local State Senator and State House members and candidates.

We expect some contentious issues to arise next year, and are working hard to make certain everyone knows the message that Arkansas new car dealers are the economic engine driving the state.

If you have any questions or items you would like for AADA to consider for a legislative package, please do not hesitate to call, (501) 372-2596, or email Greg Kirkpatrick greg@arkautodealers.com.

ADDITIONAL AND HELPFUL LINKS

If you have any questions about this bulletin please don't hesitate to call, (501) 372-2596, or email Greg Kirkpatrick greg@arkautodealers.com.