

# SouthWestern Flash

October 1, 2003, Vol 1, No. 9



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## *Dates to Remember*

**SouthWestern Fall Area Dealer Meetings** - See Calendar on next page

**SouthWestern Association Annual Conference** - Jan. 22-24, 2004, Adams Mark Hotel, San Antonio, TX

**2004 Western Farm Show**  
Feb. 21-23, Am. Royal Complex, Kansas City, Mo.

### ***SouthWestern Association***

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*Is your dealership receiving e-mail from SouthWestern Association?*

If not, send us your e-mail address. We will forward important Association correspondence to your attention via e-mail. Please register your e-mail address at:  
[www.southwesternassn.com/register-email.htm](http://www.southwesternassn.com/register-email.htm)

## **Fall Area Meetings - Agenda**

The primary focus at the Fall Area Meetings will be to bring dealers some ideas on how to add income to equipment dealerships - how you can increase the efficiency of your business through education, training, and operational audits. Additional services and programs available to SouthWestern members will also be discussed. You'll find out about:

### **Services Update and Review of Association Endorsed Providers**

- Fail Safe Warranty Services
- NAEDA Financial Ltd. - Retail Financing
- Textron/EDCO - Wholesale Financing
- Equipment Insurance International - Physical Damage Insurance
- Charter Software

### **Employee Benefit Update - Tax Favored Benefits, Inc.**

- Retirement/employee benefit plan update

### **Regulatory Issues - Regulatory Compliance Inc. (RCI)**

- Areas of Concern
- Dealer/Member options, actions to take.

### **Farm Progress Cos./IRON Solutions - What does this cooperative effort mean to dealers and how can this service help dealers sell more equipment?**

- IRON Solutions and Farm Progress Cos. have teamed up with some special services and offers to assist dealers promote and sell equipment - learn how this partnership can assist your dealership.

### **Jerkins Creative Services and your SouthWestern Association - a great partnership designed to help dealers manage their operations.**

Hear how staff and management training, education, operational audits and consulting services specifically designed for SouthWestern members can help your business be more profitable and successful - hear success stories of how these services have helped many other member businesses.

***See the list of area meeting locations on the next page and plan to attend the area meeting near you!***

## Upcoming South Western Association Education Workshops

Your South Western Association has education workshops planned for this fall that will benefit many areas of equipment dealerships. These workshops are led by experienced trainers in all areas of dealership management including sales, parts counter development, and service department operations.

### *Aftermarket Strategic Planning*

Wichita, Kan. - Nov. 4-5

Presenter: Bill Bohmer

Target Audience: Dealer Principals and Aftermarket Managers.

### *Counter Smarts: A Staff Development Program*

Hays, Kan. - Nov. 21

Columbia, Mo. - Dec. 10

Presenter: Ron Willis

Target Audience: Dealer Principals and Management Personnel

### *Managing Iron Salespeople*

Houston, Tx - Nov. 17

Ft. Worth, Tx - Nov. 19

Lubbock, Tx - Nov. 21

Kansas City, Mo. - Dec. 11

Oklahoma City, Ok - Dec. 12

Presenter: Frank Lee

Target Audience: Sales Managers

### *Advanced Sales Management*

Great Bend, Kan. - Nov. 13-14

Presenter: Frank Lee

Target Audience: Sales Managers

Dealers needing more information about any of the above workshops should contact Olivia Holcombe, South Western Association at 800-762-5616.

# South Western Association Fall Area Meetings

<u>Date</u>	<u>Type of Meeting</u>	<u>Location</u>
10/20/03	Equip. Area Meeting (p.m.)	Harlingen, TX
10/21/03	Equip. Area Meeting (p.m.)	Corpus Christi, TX
10/22/03	Equip. Area Meeting (p.m.)	Houston, TX
10/23/03	Equip. Area Meeting (p.m.)	San Antonio, TX
10/27/03	Equip. Area Meeting (p.m.)	Tyler, TX
10/28/03	Equip. Area Meeting (a.m.)	Denton, TX
10/28/03	Equip. Area Meeting (p.m.)	Abilene, TX
10/29/03	Equip. Area Meeting (a.m.)	Lubbock, TX
10/29/03	Equip. Area Meeting (p.m.)	Amarillo, TX
10/30/03	Equip. Area Meeting (p.m.)	Oklahoma City, OK
10/31/03	Equip. Area Meeting (a.m.)	Tulsa, OK
11/3/03	Equip. Area Meeting (p.m.)	Springfield, MO
11/4/03	Equip. Area Meeting (a.m.)	Alma, MO
11/4/03	Equip. Area Meeting (p.m.)	Columbia, MO
11/5/03	Equip. Area Meeting (a.m.)	Kansas City, MO
11/6/03	Equip. Area Meeting (a.m.)	Great Bend, KS
11/6/03	Equip. Area Meeting (p.m.)	Dodge City, KS
11/7/03	Equip. Area Meeting (a.m.)	Colby, KS
11/10/03	OPE Meeting	Arlington, TX
11/11/03	OPE Meeting	Austin, TX
11/12/03	OPE Meeting	San Antonio, TX
11/13/03	OPE Meeting	Houston, TX
12/2/03	OPE Meeting	Oklahoma City, OK
12/3/03	OPE Meeting	Wichita, KS
12/4/03	OPE Meeting	Kansas City, MO

Dealers needing more information at this time should call the Association office at 816-561-5323 or 1-800-762-5616 and ask for Olivia Holcombe or e-mail Olivia at [oholcombe@swassn.com](mailto:oholcombe@swassn.com).

## Two Ways to Pay!

South Western Association has adopted a One Pay All Pass to allow all the employees at each retail location to attend educational seminars. The One Pay All Pass allows all the employees from each purchasing location to Pay One Price and attend all the Education 2003 seminars this year. That's right, all the employees from a single location can attend each one of the seminars at no additional fee. The only requirement for an attendee is to confirm attendance 30 days in advance by faxing it to 816-561-5323.

### **A La Carte**

All programs will be offered to members on an a la carte basis too. Some programs do have limited seating available. Fees vary for each program. Save \$50 per person by signing up at least 30 days before the seminar. Contact Olivia at South Western Association for more information at 800-762-5616.

# NAEDA Financial Ltd.

## *A Valuable Dealer Benefit From SouthWestern Association*

As a member of SouthWestern Association, you have access to many valuable programs, services and benefits. One of those benefits is the retail finance, leasing and insurance programs offered by NAEDA Financial, Ltd. (NFL).

NFL is a program offered through a partnership between the North American Equipment Dealers Association (NAEDA) and Diversified Financial Services, Omaha, Neb. The program was launched in 1989 to provide dealers with a competitive finance resource not tied to the captive finance companies operated by manufacturers. Since then, NFL has evolved into an important tool that adds value – and profit – to the hundreds of agricultural and industrial dealerships that offer NFL financing to their customers.

“We have made great strides to make the NFL-dealer relationship stronger than ever,” says Mark Eckles, vice president of marketing for NFL. “We have boosted our staff, taken our service to a higher level and improved the speed at which credit applications are approved and funded.”

Adds Eckles, “Dealers who have never used NFL or haven’t used us in recent years will be extremely impressed with our programs and our first-class service.”

### **Finance As A Business Partner, Profit Center**

In today’s competitive environment, financing is an integral part of the sales process and the NFL program is designed to fit most dealerships. Dealers who use NFL don’t have contingent liabilities hanging over their heads, meaning there is no recourse or reserve requirement with any NFL transaction.

Perhaps the most popular – and profitable – feature used by dealers is the application of origination fees, which immediately can increase a dealership’s bottom line. With origination fees, dealers can take up to 3

percent of the amount financed or net lease amount on every deal. The fee is paid upfront to the dealer at the time of settlement. Over the life of the program, NFL has paid out over \$3 million to dealers in origination fees. That’s some serious cash.

In addition to origination fees, NFL also offers attractive bonus programs for salespeople. Sales bonuses vary by the size of each transaction. But, like the origination fees, the bonuses are paid upfront and the program has paid out hundreds of thousands of dollars in bonuses since 1989.

### **Fast Financing**

Speed is another feature NFL uses to its advantage and to the benefit of dealers and their customers. “We take a lot of pride in our ability to get dealers their settlement proceeds as quickly as possible,” says Eckles. “NFL will fund off faxed signatures and directly deposit the proceeds the same day – as long as the originals are sent by regular mail.

Eckles says this allows dealers to pay a manufacturer’s invoice quickly without dipping into dealership funds.

### **NFL And Your Customers**

Not only does it pay (literally) to use NFL, the program also directly benefits equipment dealers’ customers. NFL’s programs are enormously competitive with other sources by offering both retail installment contracts and leases. Dealers also get the same rates for new or used equipment and for contracts and leases – and they may choose between fixed and variable rates.

### **NFL Supports Your Association**

Although NFL was created to provide finance benefits to dealers and their customers, it’s also a program that yields financial benefits to NFL-supporting associations affiliated with NAEDA. Simply, the more dealers from a supporting association who use NFL, the more NFL gives back to the

association in the form of finance residuals – and it’s done without adding a tick to the interest rate structure.

“We think it’s important for NFL to support associations that help us market and promote the program,” says Eckles.

“We pay residuals to supporting associations that are based on the total volume booked by their dealers. Moreover, when certain volume levels are reached or surpassed, associations earn bonuses. These residuals help fund various association activities, such as conventions, lobbying, dealer meetings, etc. This means when a dealer funds with NFL, they’re also supporting their association.”

For information about NFL, call your association, visit [www.NAEDAFinancial.com](http://www.NAEDAFinancial.com) or call Mark Eckles at 888/922-4635.

## **Legislative Watch**

**Link to Missouri Legislative Update**  
[www.swassn.com/molegislat.htm](http://www.swassn.com/molegislat.htm)

**Link to Kansas Legislative Update**  
[www.swassn.com/kslegislat.htm](http://www.swassn.com/kslegislat.htm)

**Link to Texas Legislative Update**  
[www.swassn.com/txlegislat.htm](http://www.swassn.com/txlegislat.htm)

**Link to Oklahoma Legislative Update**  
[www.southwesternassn.com/oklegislat.htm](http://www.southwesternassn.com/oklegislat.htm)

**Link to Arkansas Legislative Update**  
[www.swassn.com/arlegislat.htm](http://www.swassn.com/arlegislat.htm)

**Link to New Mexico Legislative Update**  
[www.swaassn.com/nmlegislat.htm](http://www.swaassn.com/nmlegislat.htm)

Access the latest state legislative updates by visiting the web-sites listed above.

# New Tax Bill Provides Significant Tax Cuts

The Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA), signed into law by the President is now in effect. This new tax package provides great advantages for both equipment dealers and their customers.

In fact, according to the U.S. Department of Agriculture, the JGTRRA is worth \$4 billion dollars to U.S. farm families, providing more than \$1 billion dollars alone with the new increases in the Section 179 business expense deduction and bonus depreciation rules. In addition to those new rules, there also are new rules that lower capital gains rates and the amount of taxes paid on dividends.

This JGTRRA summary defines how the tax bill will benefit equipment dealers, Section 179 business expense deduction, bonus depreciation and how

to use the bonus depreciation in conjunction with Section 179, and changes to taxes on capital gains and dividends.

## How the Tax Bill Will Benefit Equipment Dealers

The Section 179 business expense deduction and bonus depreciation rules are extremely important to equipment dealers because these new laws should encourage more equipment purchases by customers in the next few years. Dealers should take an active role in promoting these changes and use them as a valuable marketing tool.

The Section 179 business expense deduction and bonus depreciation rules can also be used by a dealership in the purchase of:

- its own machinery, tools, or other

property used in a dealer's business

- inventory held for leasing purposes

## In Addition, the New Law Significantly Reduces:

- The tax rates on dividends (important for dealerships that are organized as C corporations)
- The tax rates on capital gains (important for dealers selling their dealership's stock)

## Section 179 - Business Expense Deduction

Section 179 of the tax code permits businesses to expense the costs of certain property that would otherwise be depreciated over several years. The new law increases the number of businesses that can take advantage

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# Boost Sales!

Put the industry's leading provider of credit card processing in your dealership.

With the Association-sponsored bankcard program\*, you will increase your business and reduce receivables. Plus, NAEDA now offers a new, lower rate\*\* for qualified transactions and that's more money in your pocket. Check NOVA's industry-leading payment processing solutions:

- Electronic Draft Capture
- Debit & Check Verification
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- Wireless Processing
- No Annual Fee
- \$2 monthly statement fee
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For more information, call NOVA today at  
**1-800-546-1831**

Mention the following code to receive a waiver of application fees: NAEDA 0203 AB.

**NOVA NETWORK**  
The most reliable payment processing network in the industry

\* The Association-sponsored Bankcard Program is a program of the North American Equipment Dealers Association, its U.S. affiliated associations and NOVA Information Systems. The program is not available in Canada.  
\*\* Rates for American Express and Discover negotiated separately.

The Bankcard Program is co-sponsored by the SouthWestern Association and the North American Equipment Dealers Association.

of Section 179 and increase the total amount of property that can be expensed instead of depreciated.

### Defining Section 179 Property

The technical definition of Section 179 property is:

*Tangible personal property with a life exceeding one year that is used for trade or business.*

A farm tractor purchased by a farmer is a good example of Section 179 property.

Real estate is **not** Section 179 property.

- The old rule allowed a business to immediately expense \$25,000 of Section 179 property. The new rule increases this amount to \$100,000 for the 2003-2005 tax years.
- The Section 179 business expense deduction can only be used by small businesses. The old rule classified small businesses as those with capital asset purchases - i.e. depreciable property - of \$200,000 or less per year. The new rule increases this amount to \$400,000 per year for the 2003-2005 tax years.
- Businesses with over \$400,000, but less than \$500,000, of capital asset purchases - depreciable property - also can use Section 179, but the \$100,000 expense cap is reduced on a dollar for dollar basis once capital asset purchases exceed \$400,000; e.g., a business with \$450,000 of capital asset purchases can only expense \$50,000 of such purchases.

The changes to Section 179 are applicable after December 31, 2002, so any purchases made after that date qualify. Note that the tax benefits of these changes only apply to purchases before December 31, 2005.

### Bonus Depreciation

The new law allows for an additional first-year depreciation deduction in addition to the regular depreciation amount. The bonus depreciation concept has been available since

September 10, 2001, but the new law increases the percentage of bonus depreciation to 50 percent from 30 percent. In contrast to the regular depreciation rules, the entire 50 percent depreciation amount can generally be taken no matter when the capital asset was purchased during the year.

### Bonus Depreciation Limitations

- The 50 percent bonus depreciation only applies to new equipment.
- The total amount of depreciation deductions does not change. The only change is that deductions can be taken more quickly.
- This law only applies to property that is depreciated over less than a 20-year period. This eliminates real property, such as buildings.
- This law applies only to property acquired after May 5, 2003, and before January 1, 2005. If there was a written contract to acquire the property before May 6, 2003, the property is not eligible. If the property is acquired within the indicated period, it must be used in the purchaser's trade or business before January 1, 2005.
- The 50 percent depreciation can be fully used with respect to "passenger automobiles" costing \$20,420 or less. However, if the vehicle costs more than \$20,420, the 50 percent bonus depreciation cannot be fully used because the maximum first-year depreciation for passenger automobiles is only \$10,210. A "passenger automobile" is defined as a four-wheeled vehicle manufactured primarily for use on streets or highways and weighs less than or equal to 6,000 pounds. If the automobile is a truck or van, the 6,000-pound weight limitation applies to the "gross vehicle weight." Although this term is not defined in the applicable regulations, tax

commentators believe this will be construed to mean the maximum design loaded weight of a vehicle.

**Note:** *Except for the increase in the amount of bonus depreciation, the limitations in this summary are the same limitations in place for the 30 percent bonus.*

#### Example

A farmer purchases a new tractor in June of 2003 for \$100,000 and uses the tractor in his farming business the same month. This tractor will be depreciated over a five-year period. Using the business depreciation rules, the first year of depreciation is depicted below:

$\$100,000 \times 50 \text{ percent} = \$50,000$   
bonus depreciation

$\$50,000 \times 20 \text{ percent} = \$10,000$   
regular depreciation

Total 2003 Depreciation = \$60,000

In addition, the farmer could apply \$40,000 of Section 179 business deductions to write off the remaining portion of the tractor's price that has not been depreciated. The farmer would still have an additional \$60,000 of Section 179 business expense deductions available for other property.

### Using the Bonus Depreciation With Section 179

- Section 179 business deductions can be used for both new and used capital assets, while bonus depreciation can only be used for new capital assets. Therefore, it may be advantageous to use as much of the Section 179 expenses on used capital assets as possible since bonus depreciation does not apply to used assets.

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