

# South Western Flash

November 2007, Vol.5, No. 11



## In This Issue

- Tax Reduction and Reform Act
- Federal Legislative Update
- FMLA: The Top Six Mistakes Employers Make - Conclusion
- APPI Update
- Insurance Corner
- Fraud Alert from Visa

## Upcoming Events of Interest

Feb. 21-22, 2008 - SouthWestern Association Annual Convention, Kansas City, Mo.



www.westernfarmshow.com  
February 22-24, 2008

### South Western Association

P.O. Box 419264  
Kansas City, MO 64141-6264  
Ph: 816-561-5323, 800-762-5616  
Fx: 816-561-1249  
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- Negotiation
- Leadership
- HR Compliance
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- Operations
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- Customer Service

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### Here's How it Works...

Members purchase a subscription to the SouthWestern Association Online Campus. Pricing is based on the number of employees at all your locations. Then, all your employees will have access to the campus materials. We'll issue a unique password to each staff member.

SouthWestern Association can help you set up a curriculum for new hires or specific positions. And, you can identify those who are motivated to excel by their campus activity. If you identify someone you'd like to develop into a manager, you can set up a curriculum of courses for that person to help them transition into their new role. In addition to campus access for your employees, subscribers also receive a discount on other Association seminars such as Dealers of Tomorrow seminars and on-site seminars that you arrange with campus faculty.

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Continued on next page

**SouthWestern Association Education Trust**  
Continued from page 1

- Reduced training costs
- Compliance with state and federal laws

**Member Price**

<u># of Full-Time Employees</u>	<u>Annual fee</u>
0 to 9	\$1,000
10 to 24	\$2,000
25 to 49	\$3,500
50 to 99	\$7,500
100 to 199	\$10,000
200 to 399	\$12,500
400 & up	\$15,500

In addition, all trust participants receive a 10 percent discount on other education programs, such as Dealers of Tomorrow seminars.

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Enroll between July 1 and December 31, 2008 - Receive a 15 percent discount for the balance of 2008 and 2009.

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For more information on the SouthWestern Education Trust contact Olivia Holcombe at SouthWestern Association - 800-762-5616, [www.swassn.com](http://www.swassn.com)



**Technician Training Program**

SouthWestern Association has partnered with OSU-Okmulgee to establish a technician training program for equipment dealership technicians. Students enrolled in the program are sponsored by equipment dealers in the SouthWestern Association territory.

For more information on the program contact: Tag Webb, SouthWestern Association Regional Manager - 918-232-2830; Steve Doede, OSU-Okmulgee Dept. Chairman - 918-293-5392 or Jeff Flora, CEO, SouthWestern Association, 800-762-5616.

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*Helping Dealers Succeed*

# Tax Reduction and Reform Act of 2007 - H.R. 3970 - Summary

House Ways and Means Committee Chairman Charlie Rangel (D-NY) released details of his long awaited "Mother of All Tax Bills." The legislation, unveiled Oct. 25, has been labeled by Jim McCrery (R-LA), the ranking member of the committee, as "the largest individual tax increase in history."

The bill repeals the alternative minimum tax (AMT), the last-in, first-out (LIFO) accounting method, and makes changes to individual and corporate taxes, including reducing the corporate rate to 30.5 percent. In addition, the bill would extend a variety of expiring tax cuts plus add surtax of 4 percent on individuals earning more than \$150,000 a year (\$200,000 for couples).

The bill, if passed, would increase the individual income tax top rate to 44 from 35 percent over the next several years, which would hit small businesses especially hard. The repeal of the LIFO accounting method and the fact the bill would impose the surtax previously mentioned on adjusted gross income, not taxable income, would further erode the value of itemized deductions, such as mortgage interest, charitable contributions, medical expenses, etc., all of which would create additional tax liability.

There also is disagreement among congressional members that Congress should have to increase taxes to offset the cost of

protecting Americans from an AMT tax hike as new "pay-go" budgeting rules adopted by Democrats require. The government never meant for the AMT to affect middle-class Americans, and we have a responsibility to make sure it doesn't," McCrery said in a recent memo to Republican members and staff. "By arguing that preventing this tax increase requires us to raise taxes elsewhere, Democrats are trying to lock Congress into a system where we are guaranteed to raise taxes by \$3.5 trillion over 10 years."

The \$3.5 trillion is the baseline revenue derived from an "un-patched" AMT and the tax increases scheduled to go into effect when the 2001 and 2003 tax laws expire after 2010. Small business trade associations are concerned about the tax expirations and how the tax increases would affect our competitiveness and our ability to compete in a global economy.

We don't believe Congress will consider Rangel's bill this year because of the timing of its release – it's too close to the elections – and it's late in the congressional session. However, it is a reminder that LIFO and other tax matters important to dealers could be influenced by any tax initiatives. We will continue to monitor this bill and support only those efforts that are beneficial to dealers.

**Continued on page 7**



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# Federal Legislative Update

Congress left Washington for a two-week Thanksgiving vacation with many appropriations bills incomplete. They did manage to pass another short-term funding bill to keep the government operating until Dec. 14. Congressional Democrats, at odds with President Bush over FY 2008 appropriations, continue to work on bills the president said he would veto.

Relations between the Democratic Senate and Republican White House aren't improving. The Senate didn't really recess for the Thanksgiving vacation. Instead, Senate majority leader Harry Reid (D-NV) imposed a little-used procedural rule: he scheduled pro forma sessions every few days, thus keeping the Senate in session, at least officially. What's been happening is one senator goes to work, calls the session to order and immediately adjourns - no business conducted.

Why do this? President Bush has a habit of making recess appointments to bypass Senate confirmation. There are several controversial nominations, such as Dr. James Holsinger as surgeon general, stalled in the Senate and Democrats didn't want Bush to take advantage of their absence. There's talk they may do the same at Christmas.

## OSHA

For many years the Occupational Safety and Health Administration (OSHA) has required employers to provide personal protective equipment (PPE) for employees. The original rule did not specify who was to pay for the PPE – the employer or the employee. Eight years ago OSHA proposed a rule that would require employers to pay for PPE. On Nov. 15 OSHA finally published that rule; it will go into effect in February.

The rule applies to general industry, shipyard employment, marine terminals, longshoring and construction. It does not expand coverage to employers who were not previously required to provide PPE. It specifies several types of PPE that are not covered by the rule. These exceptions include non-specialty safety-toe protective footwear that employees are allowed to wear off the job and "everyday clothing" such as long-sleeved shirts, long pants, street shoes and normal work boots or "ordinary clothing" and items solely for weather protection such as winter coats, jackets, gloves, parkas, rubber boots and hats.

*Source: North American Retail Hardware Association*



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**Luis Navarro** Technician

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- Toolchex can save dealerships an average of \$750 in employment taxes per technician per year.
- Toolchex can reduce payroll costs and premiums based on total payroll (workers' compensation, shop owners liability insurance, general liability insurance, etc.).



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This program is endorsed by the North American Equipment Dealers Association

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# APPI Update

## Electricity Deregulation Status

SouthWestern Association members can lower operating expenses through APPI's Utility Audit Service. The audit includes a thorough analysis of energy (electricity and natural gas), water, waste removal/recycling, freight and telecommunications (voice and data) services. APPI analyzes all fees, tariff rates and service plans to find savings. There are savings found in one or more of these areas for most companies, with savings ranging from 10 to 25 percent.

**Texas** - Deregulation is completed. There is active competition among electricity suppliers. Savings negotiated by APPI for all types of businesses range from 5 percent to 50 percent.

**Arkansas, Oklahoma, New Mexico** - Deregulation legislation is under discussion or pending. No dates have been set.

If you have business locations in Texas you may be able to decrease electricity costs. Contact APPI to learn more about current opportunities for savings. Contact APPI at 800-520-6685 or go to [www.appienergy.com](http://www.appienergy.com).

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*An aging dealer population, downward pressures on dealers by main-line manufacturers, as well as market changes are forcing dealers to consider their future leaders.*

*Dealers are looking for ways to pass progressive operational, financial and personnel management techniques on to their replacements, branch managers and other key leaders. But for most dealers, there is simply not enough time in a day to take on such initiatives. Many dealers themselves are struggling to stay abreast of industry changes.*

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## Tax Reduction Act

Continued from page 3

### Extension of AMT Relief for 2007

The bill would extend for one year AMT relief for non-refundable personal credits and the 2006 increased AMT exemption amount (indexed for inflation). *This proposal is estimated to cost \$49.6 billion over 10 years.*

### Repeal of Alternative Minimum Tax On Individuals

The bill would repeal the alternative minimum tax on individuals for taxable years beginning after 2007. *This proposal is estimated to cost \$795.66 billion over 10 years.*

### Limitation of Benefits of Individual AMT Repeal

For taxable years beginning after 2007, the bill would limit the benefits of repealing the individual alternative minimum tax for taxpayers earning above an amount to be set by the Secretary of the Treasury. The amount to be set by the Treasury shall be determined by selecting an income level above which 90 percent of all married taxpayers would otherwise be subject to tax under the AMT, but in no event less than \$200,000. These taxpayers will pay a replacement tax of 4 percent on income in excess of this specified amount and 4.6 percent on income in excess of \$500,000 (\$250,000 in the case of single taxpayers). *This proposal is estimated to raise \$831.70 billion over 10 years.*

### High-Income Individuals Subject to Overall Limitation on Itemized Deductions and Phase-Out of Deductions for Personal Exemptions

For taxable years beginning after 2007, the bill would restore the overall limitation on itemized deductions and the phase-out of the deduction for personal exemptions to the same limitation that existed before the enactment of the "Economic Growth and Tax Relief Reconciliation Act of 2001" ("EGTRRA") for taxpayers with adjusted gross income in excess of \$250,000 (\$500,000 in the case of a joint return). For taxpayers with adjusted gross income between \$250,000 and \$270,000 (\$500,000

and \$520,000 in the case of a joint return) the difference between the present-law limitations and the complete restoration of these limitations would be phased in. This proposal is estimated to raise \$28.58 billion over 10 years.

### Clarification of Shareholder-Employee of Service S Corporations and Partner-Employees of Service Partnerships Liability for Self-Employment Taxes

The bill would conform the self-employment tax treatment of shareholder-employees of S corporations that are engaged in service businesses with the tax treatment of other service providers. These shareholder-employees would be subject to self-employment taxes on the portion of their S corporation distributive share that relates to the service business of the S corporation. The bill would also make conforming changes to the self-employment tax treatment of limited

Continued on next page



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- Darwin Melnyk, President-CEO, IRON SOLUTIONS

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partner-employees of service partnerships that are engaged in service businesses. *This proposal is estimated to raise \$9.41 billion over 10 years.*

### Extension of R&D Credit

The bill extends the research credit for one year. *This proposal is estimated to cost \$9 billion over 10 years.*

### Reduction in Corporate Tax Rate

The bill would reduce the top corporate marginal tax rate to 30.5 percent from 35 percent. *This proposal is estimated to cost \$363.84 billion over 10 years.*

### Permanent Extension of Enhanced Small Business Expensing

Under current law, small business taxpayers are permitted to expense \$125,000 (indexed for inflation), with a phase-out threshold of \$500,000 (indexed for inflation). This enhanced small business expensing would expire in 2010. For years after 2010, small business taxpayers would only be allowed to expense \$25,000 (not indexed for inflation), with a phase-out of \$200,000 (also not indexed for inflation). The bill would permanently extend the enhanced small business expensing rules available under current law. *This proposal is estimated to cost \$20.55 billion over 10 years.*

Source: North American Equipment Dealers Association

## Insurance Corner

# Prompt Claims Reporting Can Enhance Service

By Mike Jenkins, Federated Insurance

### Here Are Some Helpful Tips

- Designate one person to report claims promptly to our claims office
- Take pictures of your building, both inside and outside before the loss. Include computer equipment, stock and any tools or specialized equipment. Store the photos away from your business premises and update them yearly or as major changes occur.
- Document sales, purchases and expenses to help determine values in a business income loss.
- Record vendor agreements, dates of sales, products sold and dates of repairs to help in product liability claims.
- Keep receipts for equipment and tools to verify age and costs of items.
- Set a procedure for reporting workplace injuries and help your employees understand why these steps will help reduce claims expenses and lost time.

*This article was provided courtesy of Federated Mutual Insurance Company, your association's recommended insurer.*

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# FMLA: The Top Six Mistakes Employers Make

By Lesley Sifers, Tax Favored Benefits

**Note: This is the conclusion of an article from the October SouthWestern Association Flash**

*#5 Granting FMLA to ineligible employees.* An employer called to discuss granting FMLA for a part-time employee on maternity leave. She was ready to return to work after eight weeks but insisted that, under FMLA, she had a right to change her work schedule. In the first place, this particular employee was never eligible for FMLA because she didn't work 1250 hours a year. In the second place, even if eligible, parental leave under FMLA cannot be taken intermittently or as a reduced work schedule. In the absence of state law dictating otherwise, the employer is not required to accommodate her demands. Certainly, there's no bar to working things out to everyone's benefit but this situation was not a FMLA event.

*#6 Failing to monitor employees on leave.* Keep in mind that FMLA is available for the employee's own serious health condition, to care for a close family member and for parental leave. In the majority of situations, it is possible that the need for FMLA is foreseen and the employee can give you the required 30-day notice. In these cases, you have time to meet and explain how the leave will be handled. This should include discussion of certification requirements as well as topics like drawing down accrued paid time off and payment of health insurance premiums. Once leave begins, it's important to keep communication open. For example, if you discover the employee is working elsewhere, and your policy prohibits this, address it immediately.

I recently came across a booklet for employees called "FMLA: What You Need to Know." If you already have your policy established and managers are trained, I strongly suggest something like this for your employees. I believe that, if employees truly understand their rights AND responsibilities, you will benefit by reducing abuse and misunderstanding of this law. The booklet is available from Business and Legal Reports, 800-727-5257, or [www.blr.com](http://www.blr.com).

Contact me by calling the HR Help Line at 800-683-3440 or email [lesley@taxfavoredbenefits.com](mailto:lesley@taxfavoredbenefits.com).

*This article was furnished by Tax Favored Benefits, Inc., your Association endorsed service provider for pension, profit sharing, 401(k), deferred compensation and employee benefit programs. For more information contact Tax Favored Benefits, 1-800-683-3440, [tfb@taxfavoredbenefits.com](mailto:tfb@taxfavoredbenefits.com).*

# Fraud Alert from VISA New POS Tamper Scheme

Visa is committed to helping payment system participants better understand their responsibilities regarding securing non-public information. As part of this commitment, Visa issues Fraud Alerts when emerging vulnerabilities are identified in the marketplace, or as a reminder of best practices.

## New Point of Sale (POS) Tamper Scheme

Visa is receiving reports of a new fraud pattern where suspects are attempting to install tampering devices on merchant POS terminals.

Typically, the scheme is executed by a suspect contacting the merchant via telephone stating they are from the "wholesale division of Visa." The suspect then proceeds to tell the merchant that they can influence and adjust the interchange rates the merchant is charged by their acquiring bank, and attempts to arrange an appointment to visit the merchant's location to "adjust" their POS terminal to administer these new rates.

Merchants should be advised that there is no "wholesale" division within Visa, and merchants would never be contacted directly to negotiate interchange rates.

## "Social Engineering"

Social Engineering is the art of persuading a person to disclose confidential information or access to "privileged" areas within an organization, relying on the natural tendency of people to be trusting and helpful. It is a non-technical form of intrusion that depends heavily on human interaction and often involves tricking others into breaking normal security procedures. The social engineer may claim to be part of Visa (i.e., Help Desk, IT Staff, Security) and will utilize publicly available information in order to "fit in" and seem credible.

## Recommended Strategies and Best Practices

Visa strongly recommends heightened vigilance in the management of merchant payment systems, and recommends the following best practices for these fraud scenarios:

- Merchants must ensure that all POS devices are tamper-proof.
- Merchants are advised to immediately contact their merchant bank, Visa and law enforcement if they suspect tampering of any POS PIN Entry Devices (PEDs).
- Merchants should have policies in place to address "social engineering."
- Merchants are advised to immediately contact their merchant bank and Visa if they are suspicious of any communications with individuals claiming to be from Visa.

For additional information on this alert, please call the Fraud Control Hotline at 650-432-2978, option 4.