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2015 AAACT CONVENTION: Cherokee, NC

Mark your calendars!!! The 2015 AAACT Convention will be held September 10-13, 2015, at Harrah's Casino Resort, Cherokee, NC. Convention Chair Sandy Crews, Jacksonville, N.C., and her committee have developed an excellent program, and they want to invite all members to join them in the beautiful Smoky Mountains. Go and experience Harrah's fine dining, excellent shopping and casino fun. This is our first Convention at Harrah's - Cherokee, so let's make it one of our best.

Refer to the complete schedule on page 8. We hope to see you in Cherokee!!!

2015 YEARBOOK / DIRECTORY ADVERTISERS

The 2015 Automotive Aftermarket Association of the Carolinas & Tennessee, Inc. Yearbook / Directory and Buying Guide will be mailed in June. We want to give **special thanks to those who advertised in our 2015 Yearbook:**

Amador of America, Inc.
ASCO Distribution Center
Auto Care Association
Battery Service, Inc.
Credit Union for Automotive Aftermarket
Duragloss/Brothers Research Corp.
East Penn Manufacturing Co., Inc.
Exide Technologies
General Parts, Inc. / CARQUEST
IGO Insurance Agency
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Jack Scholler Equipment
UCI Goldsboro
Uni-Select USA, Inc.
N. A. Williams Co.

We really appreciate their support, and we hope you will give them a warm ***Thank You*** whenever you have the opportunity.

LEGAL / LEGISLATIVE

IRS PUBLISHES GUIDANCE ON REIMBURSING EMPLOYEES' INDIVIDUAL HEALTH INSURANCE PREMIUMS - IRS NOTICE 2015-17

March 17, 2015 - The IRS has published new guidance to clarify that no matter how a reimbursement arrangement is structured or what the reimbursement arrangement is named, reimbursement of employees' individual health insurance policies violates certain mandates under Health Care Reform. The new IRS Notice 2015-17 affirms and expands upon earlier guidance addressing this issue. To encompass all such arrangements, the IRS coined a new term: "employer payment plans."

The penalty for violating Health Care Reform's mandates is contained in Section 4980D of the Internal Revenue Code (Code) and is **severe**. Section 4980D of the Code imposes an excise tax on an employer that sponsors an employer payment plan of $100 per "affected individual" per day for each day that the employer payment plan violates Health Care Reform's mandates. (While it is not entirely clear, it appears that affected individual means each employee who is a participant—i.e., receives a reimbursement of premiums—from the employer payment plan.)

Notice 2015-17. IRS Notice 2015-17 provides: (1) temporary relief from the excise tax under Section 4980D of the Code for certain "small employers" that sponsor employer payment plans; (2) guidance on reimbursement of individual health insurance policies of more-than-2% S-corporation shareholders; (3) guidance on reimbursement of Medicare premiums, and medical expenses of employees covered by TRICARE; (4) guidance on when certain arrangements will not constitute an employer payment plan; and (5) clarification that after-tax reimbursement of employees' individual health insurance policies is an employer payment plan.

Temporary Excise Tax Relief for Certain Small Employers. Health Care Reform's prohibition on annual limits and preventive care services mandate were generally effective on January 1, 2014. So, employers that maintain employer payment plans are potentially subject to an excise tax beginning as early as January 1, 2014. But, IRS Notice 2015-17 provides key new relief for "small employers."

A small employer is generally an employer that employs, on average, less than 50 full-time employees and full-time equivalent employees on business days in the previous calendar year. (In other words, small employers are employers that are not subject to Health Care Reform's pay or play penalty.)

Under the temporary relief, employer payment plans sponsored by small employers that reimburse employees for individual health insurance policies or Medicare Part B or Part D premiums are not subject to the excise tax under Section 4980D of the Code for a certain period of time. The temporary relief applies: (1) for all of 2014 for employers that are small employers in 2014; and (2) from January 1, 2015 to June 30, 2015 for employers that are small employers in 2015.

More-than-2% S-Corporation Shareholders. Historically, it was permissible for S-corporations to reimburse its more-than-2% shareholders for the costs of individual health insurance policies (i.e., under the Code, more-than-2% shareholders are employees of the S-corporation). Under this arrangement, the reimbursement is treated as taxable income to the more-than-2% shareholder who then deducts the cost of the individual health insurance policy on his or her income tax return. (These arrangements are typical in single-member S-corporations in which the sole shareholder is the only employee. This is because the single employee is not eligible for a "group" health insurance policy.)

IRS Notice 2015-17 addresses two issues related to these types of arrangements. First, until the IRS issues further guidance (and at least through 2015), an employer payment plan that reimburses more-than-2% shareholders for the cost of individual health insurance policies will not be subject to the excise tax under Section 4980D of the Code. Second, reimbursement of a single employee (e.g., in the case where the S-corporation shareholder is the only employee) is not a "group" health plan that is subject to Health Care

Reform's mandates. In other words, S-corporations may continue to reimburse the sole shareholder/employee for the cost of an individual health insurance policy.

Reimbursements related to Medicare and TRICARE. IRS Notice 2015-17 indicates that reimbursement of Medicare Part B and Part D premiums to employees constitutes an employer payment plan but will not violate Health Care Reform's prohibition on annual limits and preventive care services mandate, if the employer payment plan is "integrated" with another group health plan offered by the employer. All of the following requirements must be met for this type of employer payment plan to be considered integrated:

- The employer must offer a group health plan (other than the employer payment plan) to the employee that provides minimum value and does not consist solely of excepted benefits;
- The employee participating in the employer payment plan must actually be enrolled in Medicare Parts A and B (e.g., an actively-working employee who is age 65);
- The employer payment plan is only available to employees who are enrolled in Medicare Part A and Part B or Part D; and
- The employer payment plan is limited to reimbursement of Medicare Part B or Part D premiums and excepted benefits, including Medigap premiums.

IRS Notice 2015-17 further provides that an arrangement in which an employer reimburses or directly pays for medical expenses of an employee who is covered by TRICARE constitutes an HRA. An HRA is a group health plan that is also subject to Health Care Reform's prohibition on annual limits and preventive care services mandate. Similar to the relief described above, IRS Notice 2015-17 provides that an HRA that reimburses medical expenses for employees covered by TRICARE will not violate Health Care Reform's prohibition on annual limits or preventive care services mandate, if the HRA is "integrated" with another group health plan offered by the employer. To be integrated, the HRA must satisfy requirements similar to a Medicare employer payment plan, as described above.

NOTE: Except for small employers (generally, employers with less than 20 employees), the Medicare Secondary Payer rules and TRICARE Secondary Payer rules prohibit employers from providing financial or other incentives to enroll in Medicare or TRICARE, and decline coverage under the employer's group health plan. As a result, it appears that a Medicare employer payment plan or TRICARE HRA are only viable options for small employers that can satisfy the requirements explained above.

Increasing Compensation to Assist with the Cost of Individual Health Insurance Policies. IRS Notice 2015-17 clarifies that simply increasing an employee's taxable compensation (i.e., a pay increase or "raise") to assist the employee with the cost of purchasing an individual health insurance policy will not constitute an employer payment plan, if the increased compensation is **not conditioned** on the actual purchase of an individual health insurance policy and the employer does not endorse a particular policy, form or insurer. (Providing information about the Marketplace (i.e., the exchange) or premium tax credits is not an impermissible endorsement.) So, employers may give employees a pay increase or raise to assist them in the purchase of an individual health insurance policy. But, the employee must be permitted to use the increased compensation for any purpose.

Post-Tax Employer Payment Plans. Last, IRS Notice 2015-17 clarifies that the reimbursement to an employee for the cost of an individual health insurance policy constitutes an employer payment plan (other than an increased compensation arrangement described in the previous section), regardless of whether the reimbursement is made on a before-tax or after-tax basis. In other words, an employer payment plan that provides after-tax reimbursements is still subject to the excise tax under Section 4980D of the Code.

Conclusion. IRS Notice 2015-17 provides welcome relief for small employers that are currently reimbursing employees for the cost of individual health insurance policies and helpful clarification about the long-term viability of these types of arrangements. Employers that currently sponsor employer payment plans should, however, ensure that their employer payment plan is structured in a way that avoids the severe excise tax under Section 4980D of the Code.

(Courtesy of Miller Johnson)

INDUSTRY NEWS

Study Analyzes Impact of Automotive Recalls on Consumer Opinion

A new report combining traditional survey and social media intelligence research shows that, while the impact on purchasing decisions is low, automakers that issue recalls experience brand erosion. The report titled "The Impact of Automotive Recalls on Consumer Opinion" is from Infegy, a provider of social media intelligence technology for marketing and research professionals, and Phoenix Marketing International (PMI), a market research firm.

Following a year of major safety-related recalls from such popular brands as General Motors, Honda, Toyota and Ford, findings suggest that recalls have only moderate effects on consumer perceptions of quality and desirability. And, the negative feedback lifecycle can last longer than six months.

One of the biggest recalls of 2014 was related to defective airbags supplied by Takata, which affected almost 11 million vehicles from nearly every major carmaker. While brands with a higher number of recalls and multiple announcements received more negative attention, the most compelling finding is that the severity of impact to the overall brand is rather unpredictable.

Although Honda saw the biggest impact with more than 5 million cars recalled, year-over-year perceptions of quality for the models that were recalled remained flat. Furthermore, negative sentiment for Honda only increased by two points.

However, Mazda received the most attention in proportion to the number of cars recalled, with 13 mentions for every 50 cars. This was likely caused by Mazda's handling of the recall, limiting it to the Southeast region because of humidity's contribution to airbag failure. Mazda received lower scores on quality and sentiment than the other brands that did not limit recalls to the Southeast region.

Additional takeaways from the report ...
- The impact of vehicle recalls is less on consumers who are currently in the vehicle buying cycle than among those who are not. This can help explain why there was little to no impact on new vehicle sales during 2014.
- Consumers shopping in the luxury vehicle segments were more aware of brand recalls, which could have implications for brands trying to attract this market segment.
- Awareness of the wave of automotive recalls among consumers in the market for a new vehicle was relatively high, with between 50% and 60% of consumers stating that they were aware of the recalls between April and July.
- Consumers are becoming more aware of the role of suppliers in the design and assembly of critical vehicle components. This raises issues for manufacturers in handling recalls in a way that maintains consumer trust in their brands as well as key suppliers.

(Source: Service Executive Issue No. 5-15)

MANAGEMENT NOTES

Dust Off and Review Your Buy-Sell Agreement

(By: Carl Rogers, *in association with* Park South Group)

If you co-own your business, the business continuity agreement (or "buy-sell") is one of the most important documents that you will sign. If you have a buy-sell that is out-of-date, un-reviewed or focuses on the wrong issues, it may well be worse than having no agreement at all.

Let's start with a hypothetical case study that illustrates the importance of drafting a buy-sell agreement that anticipates and provides for *all transfer events* (lifetime transfers or death).

George Acme's son-in-law, Tom Gardner, had been with George's company for over 20 years. Tom had gradually assumed operational management, was the acting CEO, and had purchased 25% of George's ownership over the years -- mostly at a low value in recognition of his valuable services. Eventually, everyone acknowledged that Tom would one day own the company and carry on the fine traditions of Acme.

But that was before George died and Tom's sister-in-law, Babette, became the executor of the estate.

Babette told Tom that she would sell him the balance of the company -- but at full fair market value and in cash -- or she would sell the business to the highest bidder.

Only later did she realize that without Tom's cooperation, the business was unlikely to sell. No buyer wants a disgruntled minority co-owner, especially when he's the current CEO.

Tom and Babette disagreed about value, control and successor ownership. All these issues could have best been discussed and resolved before George's death. Had Tom and George created a business continuity agreement, the business would have transferred at a fair price to the benefit of all concerned. Now, because the owners weren't talking -- except through their lawyers -- it was unlikely that Acme could even keep its doors open.

Lifetime or Death Events

The business continuity agreement (also called a buy-sell agreement) controls the transfer of ownership in a business when certain lifetime or death events occur. Typically the "trigger" events include the death of an owner, and a sale and transfer of stock from one owner to another or to an outside party. Your buy-sell can also describe your agreement about how transfers will take place during the owners' lifetimes such as an owner's permanent and total disability, termination of employment, retirement, bankruptcy, divorce, and/or a business dispute among the owners.

Consider one example: Assume George didn't die, but that one of the owners wanted to exit. How do they agree on value, buyout terms, or design the acquisition? Without a buy-sell agreement agreed to in advance, one owner's desire to exit can transform longtime co-owners into adversaries. The buy-sell sets the valuation method, the terms of the purchase and outlines the tax planning.

In essence, a lifetime buyout of an owner is similar in design and consequence to the sale of the entire company to a third party.

The value of the business, the terms of the sale (payment, security, etc.) will all be negotiated. In internal transfers, however, hard-nosed negotiation tactics and disputes about value and payments can quickly destroy friendships, company culture or even the value of the business.

The best way to avoid this is to agree in advance on the method of appraising value and payment terms when all of the co-owners are on the same page -- looking out for the ultimate welfare of the company and not knowing whether they will ultimately be a buyer or a seller.

At each of these events, the business continuity agreement may require the business or the remaining owners to purchase the departing owner's stock; or it may give an option to buy that ownership interest. Or it may give the departing owner the option to require the company to buy his or her ownership interest.

Remove the Guesswork

The agreement should provide a clear picture to a departing shareholder of how much money he or she will receive and how often. Likewise, the remaining shareholders know *in advance* the extent and duration of their buyout obligations. This allows both parties to plan their respective futures.

The agreement can and should establish the value of the stock, set the terms and conditions of the buyout, and give additional protection to all owners. In short, the business continuity agreement is intended to protect all the owners by telling each to whom they can sell, at what price and terms, and under what restrictions.

In This Case, Nothing Is Better Than Something

As we stated at the outset, an out-of-date buy-sell agreement is often worse than no agreement because it may require an owner to buy or sell based on inaccurate values or terms that may have made sense during the boom times, but may mortally wound the business in tough times.

We urge you to review your buy-sell agreement *at least annually* as part of your annual planning meeting with your advisors. At a minimum, ask:

- Does it reflect when you want to depart?
- Does it give you the amount of cash you need to be financially secure?
- Is it designed to minimize income taxes to the seller and the buyer in the event of any type of lifetime ownership transfer?

If your buy-sell agreement is well drafted and conscientiously updated for changes in ownership, value and other circumstances, there just aren't many disadvantages. In the next issue of this newsletter, we'll look at how the major elements of a buy-sell agreement protect all owners.

The examples provided are hypothetical and for illustrative purposes only and do not represent actual client experiences. Subsequent issues of The Exit Planning Review™ provide balanced and advertising-free information about all aspects of Exit Planning. We have newsletter articles and detailed White Papers related to this and other Exit Planning topics. If you have any questions or want additional Exit Planning information, please contact us at 704-494-7070.

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What Makes the Top Salespeople the Top Salespeople?

(By: John Chapin)

While the answer to this question might seem obvious, the top sales success traits aren't always that simple. In over 27 years in the industry, I've seen lots of great salespeople and all of them always have the following eight traits.

The Top Eight Sales Success Traits

Success Trait #1: Laser focus on what's important.

No matter what's going on with the economy, in the industry, or in the world in general, top salespeople always hit their numbers. They always manage to make the calls, and ultimately, the sales that they need to make. This comes from the realization that, as a salesperson, only one thing counts: how much you sell.

Top salespeople know that, no matter what, they simply have to do the necessary prospecting, presenting, and closing and they are committed to get them done regardless of what's going on around them. As a result, they always sell more than anyone else in good times and in bad. Changes in price, competition, rules and regulations, and other factors that sidetrack other salespeople, never seem to affect them.

They also don't get bogged down in other peripheral items such as: research, having the "perfect" call, paperwork, or other items that keep them from talking to prospects and selling.

Success Trait #2: Work ethic.

Top salespeople are the hardest working people around and they do the work necessary for success. They also work smart, but when it comes to making phone calls, knocking on doors, and doing the other grunt work, they don't look for short cuts or the easy way out, they simply do it. They show up before everyone, work after everyone, and they get more accomplished than everyone else. They answer their phone before and after business hours and they are super responsive. If they are in the twilight of their career, they may not put in the hours and work as hard as they once did, but when building the business initially, no one outworked them. Also, when they have to, they are still willing to do what needs to be done.

Success Trait #3: An ability to act in spite of fear and step out of their comfort zone.

Salespeople can become awfully creative when it comes to staying in their comfort zone and avoiding that which they fear. In 27 years I've heard some of the most ridiculous excuses as to why people can't make calls, can't close the deal, and ultimately can't or won't do what's necessary for success. I've heard excuses related to pets, kids, religion, health, politics, and other concerns that are so ridiculous, if I gave an example, you'd think I made it up. They make the call they are afraid to make, try the crazy idea that might embarrass them

but just might work, and they do whatever it takes to be successful regardless of how scared they are. In short, they simply do what needs to be done regardless of their fear or discomfort.

Success Trait #4: Having integrity and character.

While you can have some short-term success in sales without either of these, long-term success is impossible without both. Integrity and character involve being honest with people and truly caring about them. With integrity and character you will not make a sale unless it is right for both parties involved. You will also always do what's right for the person you're selling to even if that means sending them to the competition. Granted, you shouldn't have to do that too often, if you do you are selling the wrong product or are with the wrong company. That said, you need to be willing to do what's right regardless of the situation or circumstance. Knowing that, at the end of the day, all you have is your reputation.

Success Trait #5: A focus on people and relationships.

Related to the above, your focus needs to be on people and long-term relationships. At the end of the day, unless you're selling batteries at Wal-Mart, the most important element in the sale is the relationship. This also means you need to be staying in touch with people and continually developing and strengthening relationships. At the end of the day, your long-term success will come down to the loyalty and size of your network.

Success Trait #6: Preparation.

Top salespeople are always well prepared. They have great answers to questions, objections, and all other items that might come up during a prospect interaction. They are continually upgrading their skills and developing themselves personally and professionally. They constantly get better at selling, communication, and understanding other people.

Success Trait #7: Confidence.

Top salespeople have complete and total belief in themselves, their product, and their company. Top salespeople truly believe that others must have their product and they believe that their customers' lives are much improved as a result of owning their product. Top salespeople know that the first sale is to yourself. You have to have complete belief and conviction in yourself and your product before you can sell to anyone else.

Success Trait #8: Accepting 100% responsibility for success or failure.

Top salespeople take 100% responsibility for everything in their lives. They realize that success in all areas of their lives is up to them and not determined by outside factors such as the economy, the market, or other people. Everything starts and stops with them.

John Chapin is a sales and motivational speaker and trainer. For his free newsletter, or if you would like him to speak at your next event, go to: www.completeselling.com. John has over 27 years of sales experience as a number one sales rep and is the author of the 2010 sales book of the year: Sales Encyclopedia. For permission to reprint, email: johnchapin@completeselling.com.

AAACT NEWS

Toner Cartridge Program

Dove Data Products has been chosen as the recommended supplier of toner and ink cartridges for AAACT members. We offer all members:

- Special Pricing with a savings from 30%
- Free Shipping
- Free Phone Support with Printer Problems
- No Payment at Time of Order

Call Rusty McLamb (1-800-968-6925, Ext. 277) or send him an email (rmclamb@dovedata.com) for prices on any brand of toner or ink supplies.

Memorial Day

The AAACT office will be closed May 25, 2015, in observance of Memorial Day.

~ Randy Lisk, Executive Vice-President

Automotive Aftermarket Association of the Carolinas & Tennessee
2015 CONVENTION
Harrah's Casino Resort -- Cherokee, NC
September 10-13

Thursday, September 10, 2015

6:00 p.m. - 7:00 p.m. ---------- Social Hour (Cash Bar)

7:00 p.m. - 9:00 p.m. ---------- AAACT Board of Directors, Past Presidents and Past Directors Dinner

Friday, September 11, 2015

8:00 a.m. – 5:00 p.m.---------- Convention Registration

8:30 a.m. – 11:30 a.m.---------- AAACT Board of Directors, Past Presidents and Past Directors Meeting

11:30 a.m. – 11:45 a.m. -------- AAACT Convention Committee Meeting

6:00 p.m. – 7:00 p.m.---------- Welcome Reception

7:00 p.m. – until….---------- Dinner On Your Own

Saturday, September 12, 2015

8:00 a.m. – 11:00 a.m.---------- Convention Registration

7:45 a.m. – 8:15 a.m.---------- Breakfast

8:15 a.m. – 8:45 a.m.---------- "Exit Planning", Carl Rogers, Rogers & Associates

8:45 a.m. – 9:00 a.m.---------- Break

9:00 a.m. – 9:45 a.m.---------- AAACT Annual Business Meeting and "Credit Card Processing Update"

9:45 a.m. - 10:00 a.m.---------- Break

10:00 a.m. – 12:00 p.m. -------- “Are You Taking Advantage of Social Media?" and "E-Tailing in the Automotive Aftermarket"

6:30 p.m. – 7:15 p.m.---------- President’s Reception

7:15 p.m. – 9:30 p.m.---------- Banquet, Awards, and AAACT Scholarship Live Auction

Sunday, September 13, 2015

8:00 a.m. – 9:15 a.m.---------- Breakfast and Inspirational Message

9:15 a.m. ---------- Convention Adjourns