

THE HORN



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February, 2016

PRESIDENT'S MESSAGE

Now that 2016 has begun, the AACT Board of Directors, Committees and Staff are anxious to hit the road running and help you, the member, prosper in 2016. Several Association Committees will meet within the first 3-4 months of 2016 and your input is vital. If you have been assigned to a committee, we urge you to attend the meeting(s). If you are not on a committee, and are interested in serving, call me (828-322-5414) or Randy Lisk at the Association Office (800-849-8037).

At this time, I would like to provide you with a list of our Directors. Feel free to contact any of them if you have any suggestions and/or concerns regarding your Association.

***Vice-President/ District 2 Director Max Miller**, Miller Parts & Paint, Benson, NC - 919-894-2111.

***Treasurer/ Affiliate Director Ron White**, Duragloss, Burlington, NC - 336-229-6480.

***Immediate Past President/ District 4 Director Ralph Dickson, III**, NAPA MALI Auto Parts, Gastonia, NC - 704-824-9079.

***District 1 Director Richard Gerard, Jr.**, Piston Ring & Machine Co., Washington, NC – 252-946-5188.

***District 3 Director Jeff Thomas**, A-1 Auto Parts, Mebane, NC - 919-563-5988.

***District 6 Director Doug Moore**, Superior Parts Co., Inc., Pickens, SC - 864-878-6362.

***At Large Director Sandy Crews**, Southern Auto Parts, Jacksonville, NC - 910-455-1300.

***At Large Director Eddie Williams**, NAPA American Auto Parts, Lincolnton, NC - 704-735-0411.

***At Large Director Mike Edwards**, Edwards Engine & Machine Service, Goldsboro, NC - 919-735-9784.

***At Large (WD) Director Chris George**, NAPA D.C., High Point, NC - 336-878-4502.

***At Large (WD) Director Bob Conley**, CARQUEST Auto Parts, Asheville, NC - 828-651-2045.

***At Large (WD) Director Rick Brown**, ASCO Dist. Co., Inc., Winston-Salem, NC - 336-661-6113.

***Affiliate Director Jack Scholler**, Jack Scholler Equipment, Statesville, NC - 800-553-1549.

You can reach me at The Flowers Company, Hickory, NC -- (828) 322-5414.

– **Bobby Flowers, AACT President**

INDUSTRY NEWS

Internet DIFM Impact Grows

"Over one-third of consumers taking vehicles to service outlets make some automotive repair decisions using the Internet. There are important demographic differences in Internet impact among automotive DIFM (Do-It-For-Me) consumers. Millennials (born between 1980 and 2000) are twice as likely as older consumers to have their auto repair decisions influenced by the Internet. Internet use by automotive DIFMers is increasing in the U.S. as the Internet reshapes consumer attitudes and behavior across a broad array of key issues in the light vehicle Service (DIFM) market." ~ Jim Lang

Internet Influences Over One-Third of Automotive DIFMers. Over one-in-three automotive DIFM (Do-It-For-Me) consumers (34%) currently use the Internet for information and decision-making regarding key auto repair issues. This is up from 28% of consumers using the Internet prior to taking their vehicles to a service outlet a year ago.

Millennials are twice as likely as older DIFMers to use the Internet for auto repair information and decision-making. Lang Marketing's latest study of automotive DIFMers gathered market intelligence on **five major ways DIFM consumers are using the Internet**: *Diagnostics; *Repair Price; *Repair Outlet Selection; *Repair Costs Savings; and *Repair Appointment.

This is a follow-up study to consumer Internet-use research conducted by Lang Marketing during the fourth quarter of 2014.

- ❖ **Diagnostics.** Most automotive DIFM consumers using the Internet are trying to Diagnose what is wrong with their vehicles (64%).
- ❖ **Repair Price.** Over half of DIFMers using the Internet seek information on vehicle Repair Prices (53%). This is up from 49% reported in Lang Marketing's DIFM Internet-user study conducted during the fourth quarter of 2014.
- ❖ **Repair Outlet Selection.** Selecting a Repair Outlet is the third most frequent use of the Internet by automotive DIFMers (48%). A year ago, only 43% of DIFMers using the Internet selected a Repair Outlet in this way.
- ❖ **Repair Costs Savings - Coupons and Discounts (Price Incentives).** Nearly one-third of automotive DIFMers using the Internet (32%) are seeking Coupons and Discounts for auto repair. This is up from 29% a year ago.
- ❖ **Repair Appointment.** Nearly 30% of automotive DIFMers using the Internet make an Appointment for auto repair via the Internet. This is one of the fastest growing Internet uses among DIFM consumers.

Concentrated Internet Use By Automotive DIFMers. Vehicle issues (vehicle Diagnostics and Repair Price estimates) account for nearly two-thirds of Internet use by automotive DIFMers. Nearly as much automotive DIFM Internet activity involves where repairs are performed: selecting a Repair Outlet, obtaining Coupons and Discounts for repair, and making an Appointment for repair.

(Source: Jim Lang, Publisher)

The Automotive Aftermarket Charitable Foundation

We all know of or have heard of individuals who have had a tragedy in their family and places them in a non-recoverable financial situation. For years, the automotive aftermarket has had a charity that helped such families, but it has been little publicized. Now, the Foundation is in the hands of industry professionals and truly wants to help individuals and families in need. The employee must be in the automotive aftermarket. The Foundation will examine each individual case and make a determination of what funds are needed. Here is the information and contact points. Save this page. We hope you never have to use it.

The AACF, or Automotive Aftermarket Charitable Foundation, was founded in 1959 to assist automotive aftermarket members and their families who, due to catastrophic illness or terrible accident, have exhausted all other available resources in maintaining a reasonable existence.

Our Mission - to provide sustainable solutions for those in great need - is what drives us every single day. To make good on our mission, we're staffed by a dedicated team of experienced industry executives who donate their time to this worthy cause.

But we can't do it alone. The AACF depends on the generous assistance of companies and individuals within our industry to provide the financial support to fund the foundation. Together, we can assist those within our industry who desperately need help. If tragedy strikes, it usually does so without warning. And when it does, the AACF is here to help find a solution. Whether it's you, a loved one, co-worker, or someone you know in the industry who has fallen on hard times due to a catastrophic event or condition, you can turn to the AACF as an advocate and ally in this time of need. With professional experts and resources from across the Automotive Aftermarket, we provide advice and support - quickly and confidentially.

If you need help or know someone in need... You may contact us to discuss the particulars of the situation to see how the AACF can assist the individual or family.

ALL CALLS AND CORRESPONDENCE ARE IN THE STRICTEST OF CONFIDENCE.

[AACF -- 5716 Folsom Blvd #149 -- Sacramento, CA 95819 -- Phone: 916-628-0271; Email: info@aacfi.org; [http://www.aacfi.org/.](http://www.aacfi.org/)]

LEGAL / LEGISLATIVE

IRS Announces 2016 Standard Mileage Rates

The Internal Revenue Service recently issued the 2016 optional standard mileage rates used to calculate the deductible costs of operating an automobile for business, charitable, medical or moving purposes.

Beginning January 1, 2016, the standard mileage rates for the use of a car (also vans, pickups or panel trucks) will be: 54 cents per mile for business miles driven, down from 57.5 cents for 2015; 19 cents per mile driven for medical or moving purposes, down from 23 cents for 2015; 14 cents per mile driven in service of charitable organizations.

The business mileage rate decreased 3.5 cents per mile and the medical and moving expense rates decreased 4 cents per mile from the 2015 rates. The charitable rate is based on statute.

The standard mileage rate for business is based on an annual study of fixed and variable costs of operating an automobile. The rate for medical and moving purposes is based on variable costs.

OSHA Required Training

In addition to the OSHA 300 Log (refer to page 3, "The Horn"/January 2016), there are several annually required OSHA trainings:

- ❖ Workplace violence.
- ❖ SDS, GHS and container labeling
- ❖ Cyber security policy (required if business accepts credit cards or has computers)
- ❖ Substance abuse policy
- ❖ Fire extinguishers
- ❖ Emergency procedures
- ❖ Personal Protective Equipment
- ❖ Respirators (if there is a paint booth)
- ❖ Forklifts
- ❖ Lock-out / Tag-out (esp. with hydraulic equipment)
- ❖ Permit-required Confined Space Entry (if there are pits or elevators)
- ❖ Compressed gasses

If you have any questions regarding such requirements, call Sherry Robertson at 1-800-243-1560.

Important N.C. Sales and Use Tax Update

The following excerpts are from Form E-505 (10-15) recently sent to North Carolina Taxpayers from the N.C. Department of Revenue Sales and Use Tax Division:

As of October 1, 2015, the general State, local and transit rates of sales and use tax applicable to the sales price of tangible personal property, certain digital products, and certain services is 6.75% in seventy (70) counties; 7.00% in Alexander, Anson, Ashe, Buncombe, Cabarrus, Catawba, Cumberland, Davidson, Duplin, Edgecombe, Greene, Halifax, Harnett, Haywood, Hertford, Lee, Martin, Montgomery, New Hanover, Onslow, Pitt, Randolph, Robeson, Rowan, Sampson, Surry, and Wilkes Counties; 7.25% in Mecklenburg County; and 7.50% in Durham and Orange Counties.

EFFECTIVE MARCH 1, 2016

Repair, Maintenance, and Installation Services -- The 4.75% general State and applicable local and transit rates of sales and use tax apply to the sales price of or the gross receipts derived from repair, maintenance, and installation services. The tax on repair, maintenance, and installation services applies to sales occurring on or after March 1, 2016 and to gross receipts derived from such services provided on or after that date.

N.C. Gen. Stat. §105-164.3(33d) provides the term "repair, maintenance, and installation services" includes the following activities:

- a. To keep or attempt to keep tangible personal property or a motor vehicle in working order to avoid breakdown and prevent repairs.
- b. To calibrate, restore, or attempt to calibrate or restore tangible personal property or a motor vehicle to proper working order or good condition. This activity may include replacing or putting together what is torn or broken.
- c. To troubleshoot, identify, or attempt to identify the source of a problem for the purpose of determining what is needed to restore tangible personal property or a motor vehicle to proper working order or good condition.
- d. To install or apply tangible personal property except tangible personal property installed or applied by a real property contractor pursuant to a real property contract.

Repair, Maintenance, and Installation Services Exemptions -- N.C. Gen. Stat. § 105-164.13 is amended and provides the following exemptions:

- (61a) Repair, maintenance and installation services provided for an item, other than a motor vehicle, for which a service contract on the item is exempt from tax under N.C. Gen. Stat. § 105-164.4I. Repair, maintenance, and installation services provided for a motor vehicle are subject to tax, except as provided in N.C. Gen. Stat. § 105-164.13(62a) for a manufacturer's warranty or dealer's warranty.
- (61b) Repair, maintenance, and installation services purchased for resale are exempt from sales and use tax.
- (62) An item or repair, maintenance, and installation services used to maintain or repair tangible personal property pursuant to a service contract taxable under this Article if the purchaser of the contract is not charged for the item or services. This exemption does not apply to an item or repair, maintenance, and installation services provided for a motor vehicle pursuant to a service contract exempt from tax under this Article unless the purchaser of the contract is not charged for this item or services. For purposes of this exemption, the term "item" does not include a tool, equipment, supply, or similar tangible personal property used to complete the maintenance or repair and that is not deemed to be a component or repair part of the tangible personal property for which a service contract is sold to a purchaser.

Additional information regarding the application of the sales and use tax statutes to repair, maintenance, and installation services will be issued by the Department prior to March 1, 2016.

Service Contracts -- Following is discussion of the application of the sales and use tax statutes to service contracts for specific items or transactions:

Motor Vehicles -- N.C. Gen. Stat. § 105-164.4I(b), as amended, provides the sales price of or the gross receipts derived from a service contract for a motor vehicle is exempt from tax. The exemption in N.C. Gen. Stat. § 105-164.13(62) is amended to remove the term "motor vehicle".

Tangible Personal Property that Becomes Part of or Affixed to Real Property -- The definition of "service contract" in N.C. Gen. Stat. § 105-164.3(38b), as amended, includes a contract to maintain or repair tangible personal property regardless of whether the property becomes a part of or is affixed to real

property. The retailer of the service contract is required to collect the tax due at the time of the retail sale of the contract and is liable for payment of the tax. Additionally, N.C. Gen. Stat. § 105-164.41(c), as amended, provides that a renewal of a service contract for tangible personal property where the tangible personal property becomes a part of or affixed to real property prior to the effective date of the renewal is subject to sales and use tax.

Additional information regarding the application of the sales and use tax to service contracts will be issued by the Department prior to March 1, 2016. For current information regarding the application of sales and use tax to service contracts, refer to the [service contracts overview web page](http://www.dorn.com) available on the Department's website, www.dorn.com.

Installation Charges -- N.C. Gen. Stat. § 105-164.13(49), which provides an exemption from sales and use tax for installation charges when separately stated on an invoice or similar billing document given to the purchaser at the time of sale, **is repealed effective March 1, 2016**. By definition, the term "sales price" includes "installation charges." Any installation charges made by a retailer as part of the retail sale of tangible personal property, certain digital property, and taxable services are subject to the applicable rate of tax for the product as set forth in N.C. Gen. Stat. § 105-164.4(a), no matter that installation charges may be separately stated by the retailer.

Manufacturer's Warranty or Dealer's Warranty -- N.C. Gen. Stat. § 105-164.13(62a) codifies the historical treatment of a dealer's and manufacturer's warranty for sales and use tax purposes. The exemption provides that a "replacement item, a repair part, or repair, maintenance, and installation services to maintain or repair tangible personal property or a motor vehicle pursuant to a manufacturer's warranty or a dealer's warranty [are not subject to sales and use tax]." The exemption defines a "dealer's warranty" and a "manufacturer's warranty" as follows:

Dealer's Warranty -- An implicit warranty the seller of an item extends to the purchaser of the item as part of the purchase price of the item.

Manufacturer's Warranty -- An explicit warranty the manufacturer of an item extends to the purchaser of the item as part of the purchase price of the item.

Highway Use Tax -- N.C. Gen. Stat. § 105-187.5(a) as amended provides, in part, "[t]he tax does not apply to the sales price of a service contract, provided the charge is separately stated on the bill of sale or other similar document given to the purchaser at the time of the sale."

MANAGEMENT NOTES

What Does Your Business Value Tell You?

By Carl Rogers

No one wants to spend money on something they don't need. So why do you need an estimate of your company's value when you don't expect to leave for several or many years?

You may not -- if you fall into one of two groups:

- ❖ Owners who are sure that their business exits are more than 10 years away.
- ❖ Owners who are certain that the value of their companies is miniscule compared to what they will need upon sales or transfer.

Many owners, however, look to the value of their businesses as the chief source of liquidity for their post-exit lives. We intend to leave as soon as it is feasible rather than when we are completely burned out. Therefore, most of us need to know the value of our companies now *so we can be smart about creating greater business value in as short a time possible*.

Knowing the value of your business today is critical whether you plan to leave your business tomorrow, or in five years because:

1. **An estimate of value establishes your starting line and distance to the finish.** An estimate of value tells you where your unique race to your exit begins. Your job, whether your company is worth \$500,000 or

\$50M, is to fill the gap between today's value (the starting line) and the value you need when you exit (the finish line). Based on today's value, your race to the finish may be shorter, longer, or perhaps much longer, than you expect. Once you know how far you and your business need to travel, you can begin to create timelines and implement actions to foster growth in business value.

2. **An estimate of value tests your exit objectives.** An estimate of value helps you to determine if your exit objectives are achievable. Let's assume that you decide that your finish line (financial objective) is to receive \$7,000,000 (after taxes) from the transfer of your business interest. You also want to complete your race in three years (timing objective). An estimate of value will tell you if the distance between today's value and the finish line is too great to reach in three years. If a growth rate is unrealistic for your business, you must either extend your time line or lower your financial expectations.
3. **An estimate of value provides important tax information.** First, an estimate of value gives you a basis for analyzing the tax consequences of Exit Path alternatives. Once you choose your path, the value estimate provides a basis for your tax-minimization efforts. Taxes can take a significant chunk out of a business sale price so the value of your company (what a buyer pays for it) must usually exceed the amount of money you need to fund your post-exit life. The size of that excess depends on how you and your advisors design your exit, and exit design in turn begins with knowing starting value and the distance to your finish line.
4. **An estimate of value gives owners a litmus test.** When owners know how much value they need to create to meet their objectives, it helps them determine where they need to concentrate their time and effort. Instead of growing value for the heck of it, dedication to a goal may enable owners to exit sooner with the same amount of after-tax cash than owners who do little or no planning. Pursuing exit plan success all begins with a starting value.
5. **An estimate of value provides an objective basis for incentive plans.** As you design incentive plans for key employees (such as Stock Purchase, Stock Bonus and Non-Qualified Deferred Compensation Plans) to motivate them to increase the value of your company (so you can work toward a successful exit), you must base these plans on an *objective* estimate of value. You and your employees need a current value (or starting line) that you all can confidently rely on.

This Is Not A Full-Blown Valuation!!

We know what you are thinking, "How much is this going to cost me?" But we're only suggesting that you need an *estimate of value* to establish a benchmark, not the *opinion of value* which may precede your transfer of ownership, years from now.

Estimate of Value

An estimate of value typically:

- Costs about half as much as a standard valuation opinion,
- Is the basis for the (later and) complete valuation, *but*
- Lacks the supporting information contained in a written opinion of value, *and*
- Is used for planning only. It cannot be relied upon for tax or other purposes.

Failure to Value

On some level, we all recognize that we will leave our businesses someday. While you may not yet have a vision for the second half of your life, you do understand that the exit from your company is likely to be the largest financial transaction of your life. Does it make sense to go into that transaction and into the second part of your life without an objective understanding of your company's value?

An estimate value can save precious time as you build value and pursue the exit of your dreams.

If you would like more information about the role of business valuation in Exit Planning, please contact us **[Carl Rogers, Rogers & Associates -- E-mail: cerogers@aicinvest.com]**.

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enacted U.S. Treasury Department Regulations, we are now required to advise you that, unless otherwise expressly indicated, any federal tax advice contained in this communication, including attachments and enclosures, is not intended or written to be used, and may not be used, for the purpose of: (i) avoiding tax-related penalties under the Internal Revenue Code or; (ii) promoting, marketing or recommending to another party any tax-related matters addressed herein. Securities and Investment Advisory services are offered solely through Ameritas Investment Corp. (AIC); Member FINRA/SPIC. AIC, Business Enterprise Institute, Inc. and Rogers & Associates are not affiliated. Additional products and services may be available through Carl E. Rogers, Jr. or Rogers & Associates that are not offered through AIC. Representatives of AIC do not provide tax or legal advice. Please consult your tax advisor or attorney regarding your situation.

AAACT NEWS

2016 AACT Membership Renewal Drive Begins

The AACT Board of Directors and staff would like to take a moment to express our sincere appreciation to you, our valued member, for choosing to belong to the Automotive Aftermarket Association of the Carolinas and Tennessee. It is our hope AACT has made good on its pledge to return value to your business in exchange for your membership dollars. Whether you took advantage of the various programs and services, resources, networking, served on a committee or supported our advocacy efforts, we thank you for your participation and membership.

AAACT has one common goal, to put flags aside and work together to promote the automotive aftermarket industry. Your support, combined with others like yourself, enable your association to offer an extensive menu of member services and programs for the exclusive use of members. Equally important, AACT members are represented at the national level, through our affiliation with the Auto Care Association and the Alliance of State Automotive Aftermarket Associations (ASAAA), as well as at the local level in our three states.

Our success depends on the continuation of your company's backing, both financially and numerically as a member. Show support of your local, non-profit trade association and the automotive aftermarket industry by renewing your AACT membership today. Thank you for allowing us to be of service to you. Best wishes for a healthy and prosperous 2016!

AAACT/GAAS Scholarship Application Deadline -- March 31, 2016

The Automotive Aftermarket Association of the Carolinas and Tennessee is proud to announce that applications are now available for the annual AACT Scholarship(s). AACT will make available at least two (2) \$1,000 scholarships. All students who apply must be sponsored by an AACT member in good standing. AACT scholarships are also awarded regardless of the student's planned field of study. Keep in mind that AACT members, and their immediate families, as well as AACT members' employees and their families, are all eligible for the scholarships. AACT owner-members and immediate family members of an AACT Scholarship Fund Trustee are not eligible to receive an AACT scholarship grant.

Again this year, the student applicant may complete the application for the AACT Scholarships online at www.automotivescholarships.com/AAACT. This way the student will not only be eligible for the AACT scholarship, but also ones from several other sources within the industry. All applications need to be completed online by March 31, 2016. The AACT scholarship(s) will be awarded by mid-May, 2016. If the applicant desires to apply only for an AACT scholarship, then only the paper application should be completed and returned to AACT... call 1-800-849-8037 for a copy. But why not apply online and have a chance at multiple scholarships. Please contact Randy Lisk at the AACT office if you have any questions on this process for applying for scholarships.

AAACT Roster Listing

Please take a minute to make sure your membership directory listing is correct. If there are any changes, please complete the Roster Listing Form (Page 8) and return it to AACT headquarters. We must receive changes by April 1, 2016 for them to be included in the 2016 directory.

-- Randy Lisk, Executive Vice President

Automotive Aftermarket Assn. of the Carolinas & Tennessee, Inc.

Serving the Automotive Aftermarket in North Carolina, South Carolina, & Tennessee

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**AAACT ROSTER LISTING
FOR THE 2016 YEARBOOK / DIRECTORY**

TO: All AACT Members
FROM: Randy Lisk, AACT Executive Vice President

To make your directory listing as complete as possible, please fill out the form below, and

MAIL TO: AACT, Inc., 1720 Hillsborough St., Suite LL One, Raleigh, NC 27605-1657

FAX TO: (919) 821-0753 **-or-**

EMAIL TO: APAC219@AOL.COM.

In order for these **changes** to appear in the 2016 Yearbook/Directory, they **must be received in the office by April 1, 2016**. Please take a minute - look in the 2015 Directory and make sure your listing is correct. If we do not receive an update from your company, you will appear in the Directory as you did last year.

PLEASE TYPE OR PRINT TO HELP AVOID ERRORS.

FULL CORPORATE OR BUSINESS NAME	OWNER/MANAGER
STREET ADDRESS	PHONE NUMBER ()
CITY STATE ZIP	FAX NUMBER ()

1. MEMBERSHIP CATEGORY: REGULAR___; WAREHOUSE___; AFFILIATE___

2. PLEASE **ADD** THE FOLLOWING BRANCH STORES:

Store Name(s)	Address	Manager	Phone No.

3. PLEASE **REMOVE** THE FOLLOWING BRANCH STORES:

Store Name(s)	Address	Manager	Phone No.

NAME **DATE**

- ❖ **DUES must be current in order to be listed in the Directory.**
- ❖ You must be an AACT member to be listed in the Directory -- take advantage of this opportunity to become a member of the Association.