

# SouthWestern Flash

July 3, 2003, Vol 1, No. 3



## *In This Issue*

Fall Area Meetings  
Save More Tomorrow Plan  
Sales Tax Exemption Certificate  
Legislative Watch  
New Tax Bill

## *Dates to Remember*

**Dealing With the Future - What Every Dealer of Tomorrow Needs to Know -**  
July 24-25, Wichita, Kan.

**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***

P.O. Box 419264  
Kansas City, MO 64141-6264  
Ph: 816-561-5323, 800-762-5616  
Fx: 816-561-1249  
[www.swassn.com](http://www.swassn.com)

*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)

## Disaster-Proof Your Small Business Data

Any number of mishaps can put your data at risk. A power surge can erase essential files. A fire can bring down your network. A computer virus can reformat your systems. The cost of data recovery and reduced productivity, not to mention lost revenue and customers, can be very high. Depending on the nature of your business, you may not even be able to operate.

### **Data Protection Basics**

If you only have one computer to protect, the main security threats are viruses, worms and Trojan horses. Virus protection and firewall software offer effective, low-cost ways to secure data and prevent virus intrusion. But security has a quick shelf life - new viruses are spawned continually. You should run virus protection updates weekly and renew antivirus software subscriptions annually.

### **Storing Backups**

How will your backup tapes or disks be stored? Copies should be kept off-site, in a secure place, such as a safety deposit box. Otherwise, the same fire that destroys your network could destroy your backup. Also, detail how backups will be labeled (with a list of contents and the date, for example), so you'll be able to recover smoothly.

### **Data Restoration**

How will data be recovered? Outline the data to your computers from your master copy. Describe the restoration procedure as clearly as possible so another employee can step in if your technician is out.

### **Service Restoration**

Which service providers will you need to contact in the event of a disaster? Create a list of contact information for critical suppliers, such as those providing telephone service, Internet/network connectivity, hosted solutions and other third-party services. Be sure to note any recovery procedures for each service as well.

### **Employee Commitment**

What will you expect of your staff? Data security and safety planning requires companywide participation. Be sure to cover how employees will be trained on disaster prevention and recovery. For example, you might require individual employees to save key documents to a server that is backed up regularly. You wouldn't operate your business without insurance to recover from a fire, flood or other disaster. Don't jeopardize your business' most precious asset: data. Take the time to implement a disaster recovery plan today.

*Source: Jack Mackey, CCSE, Technology Solution Center, an Association program to provide computer services at special rates to members of SouthWestern Association. For information about setting up a disaster recovery plan or any other computer needs, contact SouthWestern Association at 800-762-5616.*

## Dealing With the Future - What Every Dealer of Tomorrow Needs to Know

July 24-25 - Wichita, Kan.

The dealers and managers of tomorrow must understand the financial and operational needs of their business to be successful. This workshop is for owners, and mid-level and department managers, and will teach participants how a dealership's operating and financial parameters can affect the dealership on a day-to-day basis. You'll want to send your "up-and-comers," as well as managers new to the industry.

Plan to attend this informative program. You'll learn the skills and concepts you'll need to take you to the next level. And, you'll have the opportunity to meet and network with other dealer/managers like you. "Dealers of Tomorrow" is a special initiative of SouthWestern Association. The mission of Dealers of Tomorrow is to provide education for the next generation. For additional information, contact Olivia Holcombe, SouthWestern Association, at 1-800-762-5616. This program is sponsored by FASTLINE Publications.

## NAEDA July Distance Learning Events

The North American Equipment Dealers Association (NAEDA) has announced the July schedule of Distance Learning classes that are available to SouthWestern Association members.

### Care and Feeding of Sales People

July 8, 15, 29 - 10 a.m. - Noon CDT

Cost: \$499 members, \$599 non-members

### Put a Charge in Your Sales Department

July 8, 15, 29 - 2 - 4 p.m., CDT

Cost: \$499 members, \$599 non-members

### Capital and Cash Planning

July 22 - 10 a.m. - Noon, CDT

Cost: \$139 members, \$199 non-members

Dealers with questions should contact Kim White at 636-349-6202 or whitek@naeda.com. You can register for any of the above sessions online at [www.naeda.com](http://www.naeda.com) (click "Educ. Services")

# Mark Your Calendar For SouthWestern Association Fall Area Meetings

<u>Date</u>	<u>Type of Meeting</u>	<u>Location</u>
10/6/03	OPE Meeting	Dallas/Fort Worth
10/7/03	OPE Meeting	Austin, TX
10/8/03	OPE Meeting	San Antonio, TX
10/9/03	OPE Meeting	Houston, TX
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.)	Sweet Springs, 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
12/2/03	OPE Meeting	Oklahoma City, OK
12/3/03	OPE Meeting	Wichita, KS
12/4/03	OPE Meeting	Kansas City, MO

More information about the fall area dealer meetings will be included in upcoming issues of the Flash. 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).

***Make plans today to attend one of the SouthWestern Association fall Area Dealers Meetings!***

***SouthWestern Association***

***P.O. Box 419264***

***Kansas City, MO 64141-6264***

***Ph: 816-561-5323, 800-762-5616***

***Fx: 816-561-1249***

***[www.swassn.com](http://www.swassn.com)***

# Save More Tomorrow Plan

Many employees seem to procrastinate saving enough for retirement. They know that they should be setting more aside but they put off doing so.

Salary deferral rates in 401(k) plans routinely lag behind professional recommendations. In 2001, lower-paid employees, on average, saved 5.3 percent of their pay, while highly compensated employees contributed 6.4 percent according to the Profit Sharing/401(k) Council of America.

According to an article in the March 2003 issue of *Employee Benefit News* there is a new 401(k) plan savings concept, developed by behavioral economists, which aims to boost employees' 401(k) savings rates. The human tendency to put off tough decisions is the concept's guiding principle.

Called "Save More Tomorrow" (or SMarT for short), the plan simply asks participants to agree to boost their future 401(k) contributions by a modest percentage each year. Ideally, increases are timed to correspond with annual pay increases or bonuses each year so participants are less likely to feel the pinch on their paychecks. The concept is the "brain child" of economics professors Shlomo Benartzi at UCLA and Richard Thaler at the University of Chicago.

Plan sponsors adopting the SMarT plan should set annual deferral increases at a minimum of 2 percent, says Benartzi, even in today's turbulent economic environment. He believes an annual increase of just 1 percent would not accelerate employee savings fast enough. Plus, the net decrease in compensation will be less due to the income tax savings.

Yet, it is also important for the participant to set an ultimate cap on salary deferrals when the savings rate is meeting the overall goal.

Pilot programs of the SMarT concept have produced some notable successes in boosting savings rates. For example, one small manufacturing company boosted its average 401(k) employee deferral rate from 3.5 percent to 14 percent in three and a half years. (It must be noted that there was no discussion as to whether there were other factors that might have helped to produce this result.)

According to the *Employee Benefit News* article another company, Philips Electronics North America, began testing the SMarT program in December 2001 at two company divisions to boost savings rates among non-highly compensated employees. Philips selected the divisions because of their comparatively poor savings habits. Combined, the two divisions had a savings rate of just 3.4 percent, significantly lower than the 5.65 percent rate seen among a control group of similar employees.

Among the 815 Philips employees offered the concept, 27 percent signed up. Fifty-four percent of participants decided to increase their savings rates another 1 percent per year, 35 percent by 2 percent per year, and 11 percent by 3 percent per year. By May 2002, when the pilot period ended, the test group's savings rate had risen by 35 percent, from 3.4 percent to 4.61 percent.

According to many national employee benefit consultants many national firms are considering the SMarT concept a way to improve 401(k) enrollment results.

Is the SMarT concept a method you wish to consider for your 401(k) plan? For further information, please contact Tax Favored Benefits, Inc. at 800-683-3440 or [tfb@taxfavoredbenefits.com](mailto:tfb@taxfavoredbenefits.com). Tax Favored Benefits, Inc. is endorsed by the SouthWestern Association for retirement plan services and investments.

# A Reminder About Accepting Sales Tax Exemption Certificates

All of our dealer members have accepted sales tax exemption certificates from their customers at one time or another. Depending on the nature of the equipment sold, a dealer may rely on exemption certificates on a daily basis. However, the SouthWestern Association wants to remind its members that they are not relieved from responsibility for charging sales tax just because a customer presents an exemption certificate. A dealer must accept an exemption certificate in good faith. A dealer does not accept an exemption certificate in good faith if the dealer either (a) actually knows the sale does not fall within the exemption relied upon or (b) can determine that the function of the equipment sold cannot be used for the exempt use that is claimed in the certificate. If a dealer does not accept an exemption certificate in good faith, the dealer will be liable to the state for the sales tax that should have been charged. If you have questions about what types of sales are exempt from sales tax, please contact the SouthWestern Association at 816-561-5323.

## NAEDA Parcel Freight Program

- Save up to 24 percent with FedEx Express air shipments
- Save up to 20 percent per package on every FedEx Ground shipment.

Enroll in the program today and save on your very next shipment - whether it's outbound to your customer or inbound from your supplier.

The NAEDA Parcel Freight Program is FREE with no obligations and no minimum shipping requirements. If you would like more information, please call Ted Richter at 800-599-2902 ext. 2220.

# Federal Legislative News

- Just before leaving Washington for a week-long Fourth of July recess, Congress passed legislation to add prescription drug coverage to Medicare. The bills passed by the House and Senate have different provisions and a long conference is anticipated during July. The bill squeaked by the House in a 216-215 vote; the margin was much wider in the Senate, 76-21.
- Banks will be able to clear checks electronically under legislation moving through Congress. Doing so would eliminate exchanging paper checks. The House passed, 405-0, the Check Clearing for the 21st Century Act and the Senate Banking Committee approved the Check Truncation Act. Both bills would give banks the option of using electronically generated checks instead of exchanging paper checks. The bills would allow banks to download substitute checks, with the same legal status as original checks, if customers need a hard copy of their checks.
- The House has tried once again to eliminate the estate tax. It passed the Death Tax Repeal Permanency Act to eliminate the Dec. 31, 2010, sunset date on the repeal of the federal estate tax. The Economic Growth & Tax Relief Reconciliation Act of 2001 phases out the estate tax until it is completely repealed in 2010 but reinstates it in 2011. The vote was 264-138.
- Association health plans took a step forward when the House passed the Small Business Health Fairness Act on a 262-162 vote. In the Senate, Health, Education, Labor & Pensions Committee chairman Judd Gregg (R-NH) said he is not eager to mark up the companion bill as stand-alone legislation; he would prefer to attach it to other must-pass legislation. The committee's ranking Democrat, Sen. Edward Kennedy (D-MA) is a vocal opponent of association health plans.
- The Environmental Protection Agency issued a final rule that allows lead-based paint waste to be disposed of in construction and demolition landfills that do not accept other forms of household waste. Lead-based paint has been listed as a household waste that could only be disposed of in municipal solid waste landfills or municipal solid waste combustors. These facilities can continue to accept residential lead-based paint waste. The rule is designed to provide additional disposal sites for lead-based paint waste and to increase the pace of lead-based paint removal from residences.

*Source: National Retail Hardware Association, June 30, 2003*

## ***South Western Association***

P.O. Box 419264

Kansas City, MO 64141-6264

Ph: 816-561-5323, 1-800-762-5616

Fx: 816-561-1249

[www.swassn.com](http://www.swassn.com)



# 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 Nebraska Legislative Update**

[www.swassn.com/nelegislat.htm](http://www.swassn.com/nelegislat.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)

## **Link to Louisiana Legislative Update**

[www.swassn.com/lalegislat.htm](http://www.swassn.com/lalegislat.htm)

Click on any of the above links to access the latest State legislative update.

## **Weaker Dollar Good For Farmers?**

For years, farmers have complained the strong U.S. dollar was hurting export sales. But the dollar has been weakening lately, a welcome relief for the nation's agricultural economy, according to AgriNews.com. "Anytime you have a weaker dollar, you are going to be able to sell your commodities into the world market at a cheaper price," said John Skorburg, senior economist with the American Farm Bureau Federation. Skorburg said the dollar's fall against some currencies could continue. I think that we're going to continue to see the dollar slide a bit more," Skorburg said, adding he doesn't see, though, how it can slide much more relative to the euro.

*Source: Farm Equipment Manufacturers Association, June 18, 2003*

# New Tax Bill Provides Significant Tax Cuts

Source NAEDA

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.

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.

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

- 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. The increased limitations will apply to tax years beginning after 2002 and before 2006 (e.g. fiscal year ending Oct. 31, 2003 does not apply).

## 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 Sept. 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 - i.e. equipment - 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.

## Tax Reductions On Capital Gains and Dividends

### *Decrease in capital gain rates*

Top capital gains rates are reduced to 15 percent from 20 percent. Capital gains taxes are assessed on gains on the sale of capital assets - e.g., stock. The new rates are effective May 6, 2003, and will remain in effect through December 31, 2008.

There are some limitations:

- All sales prior to May 6, 2003, are subject to the previous capital gains rates.
- A 25 percent capital gains rate remains for long-term real estate gains attributable to depreciation recapture.

Unless Congress takes further action, the old rates will return after December 31, 2008.

### *Dividends*

Qualified dividends received by shareholders from C corporations will now be taxed at the capital gains rate, rather than the shareholder's ordinary income tax rate.

### *Limitations*

Dividends received from tax-deferred retirement plans do not qualify for the new rates. Unless Congress takes further action, the old rates will return after Dec. 31, 2008.