

CONNECTICUT AUTOMOTIVE RETAILERS ASSOCIATION

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To: CAR Association New Car Dealer Members
From: CAR Association Office
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Car Allowance Rebate System (CARS) Update CASH FOR CLUNKERS PROGRAM UPDATE

Following please find information on several issues we've received questions on regarding the federal CARS Program:

Connecticut Sales Tax

The Department of Revenue Services has issued their ruling on the Car Allowance Rebate System and has determined that the allowance be treated as a trade-in allowance for Connecticut sales and use tax purposes under Conn. Gen. Stat. §12-430(4). This means that Connecticut sales and use taxes do not apply to the CARS discount, because the sales and use taxes apply to the net sales price AFTER the CARS discount is deducted from the full sales price. *Use the applicable amount (\$3500 or \$4500) as your trade-in to reduce the selling price of the vehicle.*

The Clunker

- It is absolutely up to the dealer to disable the engine using the sodium silicate solution mandated by NHTSA (*it is suggested you do NOT disable the engine until you have all the required paperwork ready to submit to NHTSA*)
- The trade-in vehicle can only be transferred two times subsequent to the dealer's receipt.
- The dealer must sign the title when transferring to the disposal facility.
- A branded title (i.e. salvage) is fine as long as the other requirements (i.e. road worthy, insured for one year etc) are met.
- A person (owner or company) can only be noted on **ONE (1) CARS** deal. If either a VIN Number or Persons ID number has been entered into the system before, the transaction will be rejected. *Do your due diligence – pointedly ask your customer if they have run another vehicle through the CARS program at any other dealership.*

The Application for Rebate

- Where the application has a field for an invoice number they are looking for your invoice/bill of sale/control number to be entered – this will make tracking easier for you.
- The Disposal Facility Certificate does not have to accompany the initial submission for rebate – you have seven (7) days to submit the certificate.
- When you scan your documents in and submit them make sure you submit them in the order they are asked for using the file names as NHTSA has labeled them (**for example: the file for the front of the trade's title should be called: _trade_in_title_front_page**)

- Proof of insurance - NHTSA will accept insurance cards, signed letter on insurance company letterhead, declaration page or certificate from insurance company. Make sure they show the make, model and VIN number of the vehicle.
- Proof of ownership – if your customer has recently re-registered the vehicle and the registration only shows a few months of ownership, NHTSA will accept a CARFAX Report showing your customer’s ownership for the more than one year requirement.
- Don’t forget to capture the screen shot of the fuel economy side by side comparison of the trade and the new vehicle for submission with your application.
- If there are no other manufacturer/dealer rebates on the new vehicle you must put “none” in the summary sheet submitted to NHTSA – this is a very important part of the law which will get your application rejected if not completed.

The Money

NHTSA has informed us that they have a “real-time” tracking of the funds in place. When you submit a deal, then the \$3500 or \$4500 is “drawn-down” from the Billion Dollars in the program fund. They have stated that if they determine at any point in time that at the current rate of transactions the money will run out soon they will announce a suspension of the program. They are working on the website to have a general status of the fund pool available on both the dealer and consumer sites with eventual dealer access to the real-time tracking information. To reiterate, when you submit an application, that money is “drawn-down” from the fund so in essence it is yours unless your application is rejected – then it would be added back into the fund and you would have to re-apply.

The Scrap Value

The law mandates that the dealer disclose their best estimate of the scrap value to the customer. The law also allows the dealer to retain \$50 of that value to cover their administrative costs. The law **does not address** the remainder of any scrap funds. According to NHTSA and NADA there is no mandate that you either return the remaining funds to NHTSA or give them to the customer. Per NHTSA the scrap value seems to be running at an average of \$75 - \$100 and, in reality, after the dealers have disclosed this to the customer and informed them that they are allowed to retain \$50 of it for administrative costs most customers have not requested the difference. You are not allowed to charge the customer for the materials and time to destroy the engine or any cost associated with transporting the vehicle to a disposal facility but again, in reality, after hearing these issues most customers have not requested the difference. Obviously, if they do request it we suggest you give it to them but if they do not you are able to retain it yourself and do not have to return it to NHTSA.

Miscellaneous

- The funds coming to you from NHTSA will be ACH funds not Wire Transfers.
- The new vehicle must have a base MSRP of \$45,000 or less – this is before any features, options, taxes, or destination charges
- Leases qualify **only** if the lease term is at least five years.
- NHTSA is working on adding DBA names to the list of participating dealers to make it easier for your customers to identify you.