

#### **Dear Tire Industry Member:**

It has been a busy first few months of 2013. TIA remains active in legislative issues on both the state and federal levels. Two of the most important issues are used tire legislation and tire repair legislation. TIA helped to ensure that a poorly crafted tire aging bill in Maryland did not pass. TIA is also strongly urging Congress to pass a Right to Repair law nationwide.

In this issue of the TirePAC newsletter, you can also read about how TIA is also working in the best interests of small businesses on issues such as tax reform and healthcare.

I would also like to share the success of the TirePAC fundraisers at the OTR Conference in February. TIA sold squares on the PAC Board and mulligans at the golf tournament. Two winners of the PAC Board including TIA President, Randy Groh with U.S. Autoforce, and TIA Board Member, Reece Hester with NC Tire Dealers Association, feel so strongly about TirePAC and its importance to the industry that they both donated back their winnings. Net proceeds from the fundraising activities were \$3380.

Your ongoing support of TirePAC remains critical to our success. Our fundraising total for 2012-2013 is over \$32,000 to date and we thank all individuals who have contributed (see page 8). A well-funded PAC allows TIA to be visible on Capitol Hill and to promote the issues important to us all. We have lots of work ahead of us and will continue to work diligently on your behalf.

Thank you,



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Ken Brown Chairman, Government Affairs Committee

#### PAGE 2

WHY THE TIREPAC IS IMPORTANT TO YOU

#### PAGE 3

PRESIDENT'S PROPOSED BUDGET

#### PAGE 4

**CHAINED CPI** 

EMPLOYEE CHOICE – HEALTH CARE
REFORM STYLE
USED TIRE LEGISLATION

#### PAGE 5

ESTATE TAX REPEAL DEFEATED

#### PAGE 6

MAGNUSON-MOSS
TAX REFORM

#### PAGE 7

WHAT DOES MASSACHUSETTS RIGHT TO REPAIR MEAN FOR THE REST OF THE UNITED STATES?

#### PAGE 8

TIREPAC FUNDRAISING CAMPAIGN

#### PAGE 9

TIREPAC PRIOR APPROVAL FORM

#### **PAGE 10**

TIREPAC ENROLLMENT FORM

#### WHY THE TIREPAC IS IMPORTANT TO YOU

In his keynote address at the 2012 OTR Conference, Titan Tire's Morry Taylor could not emphasize strongly enough how important he believed the 2012 Presidential elections would be for the future of America.

What were we looking at? We faced a one trillion dollar deficit – for the fifth year in a row; 13 million Americans out of work (an almost 50% unemployment rate for young people under 25); 13 million Americans underemployed; 46 million Americans on food stamps; total gridlock on Capitol Hill.

TIA and most business groups rallied and united in a way not seen since Republican William McKinley beat Democrat/Populist William Jennings Bryan in the 1896 Presidential election.

A mind-boggling record \$6 billion plus was spent on the 2012 elections. Given the money spent, the excitement generated, and the overwhelming negatives raised by the American electorate, the results were truly remarkable.

The much-anticipated 2012 elections resulted in very little change in the nation's capital. Despite frustration and disappointment with elected officials, Americans went to the polls and returned to Washington with essentially the same government it has had for the past two years: President Barack Obama returned to the White House, Democrats maintained their control of the Senate, and Republicans maintained control of the House of Representatives.

The results on Capitol Hill mean that the same parties that have dictated the agenda in the House and Senate for the past two years

TIA's Roy Littlefield leads a rally against the gas tax and other antibusiness proposals.

will continue to control the agenda for the next two years.

And while the direction in which House Republicans and Senate Democrats choose to take the country remains to be seen, one thing perfectly clear is the affect the elections will have on the TIA agenda. The answer: very little.

I had so very much hoped to have a positive message to start 2013. I have nearly 35 years of singularly-minded commitment to small business under my belt, and I have never been so embarrassed to say I am part of the process we call "Washington." I have a business friend with whom I have a running joke about the fact I called him a "dinosaur" once. I have never felt so much like one as I do today. Folks have tried to paint me with all kinds of political labels over the years. I think after 35 years, my record stands on its merits. Small business is my mission.

While the first "fiscal cliff" legislations failed to reduce the deficit, failed to address sequester, and failed to achieve meaningful tax reform, "round one" was mostly good news for TIA and the small business community. Against great odds, we successfully lobbied for a change in the estate tax (the top legislative priority for most small business owners), which went from 55% over \$1 million in cash and business value to 35% over \$5 million (inflation adjusted). We obtained the certainty we wanted in some cases, and in some cases improved our status. We can embrace the positives and can turn our attention to creating economic growth for jobs.

TIA's top two services for its members are training and government affairs representation. PAC's (political action committees) are formed in recognition of the fact that politics and government are inextricably intertwined.

The PAC is a legally established, acceptable device for making politically-related expenditures. Why TirePAC? A PAC for our industry allows association members to make modest, voluntary contributions. Those funds, when pooled together, help to make our industry's political views known. It allows us to support lawmakers who support you.

It is illegal to use membership dues or association revenues for these political expenditures. Thus, a successful PAC is crucial for our legislative efforts.

#### WHY THE TIREPAC IS IMPORTANT TO YOU

#### continued from page 2

TIA's Government Affairs Committee manages the PAC and the committee's Chairman, currently Ken Brown, serves as the PAC Chairman.

The TirePAC, established in the late 1970's, has flourished over the last two years – reflecting the growing importance that our legislative effort has on your business.

Despite great odds, in 2012 we amended the estate tax, passed legislation to allow for a tax credit to hire returning veterans, overturned a major proposal to ban the burning of used tires, ended the tariff on Chinese tires, and defeated legislation to raise the federal motor fuel tax rate and the FET on truck tires; and to reinstate the FET on tread rubber and passenger tires.

In 2013, we already are facing bills on tire aging, tire repair, and used tires.

I urge all TIA members to fill out the TirePAC Prior Approval Form on page 5 which allows us to forward information on our efforts (as well as a quarterly PAC newsletter). And I thank all members who have recently supported TirePAC – you are making a difference.

TirePAC is a sign of a more sophisticated industry. It is a statement that retailers, retreaders, repair specialists, and the various sectors of our industry matter and want to have their say in proposed legislation. And it is a realization that this industry must be profit driven on all levels.

It becomes increasingly obvious that it is crucial for the tire industry to come together and speak in one voice. The failure to move together at this time could put this industry on the defensive for years to come.



Roy Littlefield (on left) meeting with Jack Van Steenburg, Chief Safety Officer of the Federal Motor Carrier Administration.

#### PRESIDENT'S PROPOSED BUDGET

The Administration has been leaking an unusually large amount of information about the President's budget. We know that it includes most of the elements of the debt reduction plan the President offered to House Speaker John Boehner (R-OH) last year, thus it includes some entitlement reform, some other spending cuts and some increases in tax revenues.

On the revenue side, it appears the big-ticket item will be a limitation on the ability of high-income individuals to deduct various expenses. They would be able to deduct only 28 percent of those expenses. It does not appear the budget will specify which deductions would be subject to the limitation but you can be sure that the housing industry and charities are concerned.

In the parlance of the Bowles-Simpson proposal, these are known as "tax expenditures." Tax expenditures are defined under the Congressional Budget and Impoundment Control Act of 1974 as "revenue losses attributable to provisions of the Federal tax laws which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability."

What are the largest tax expenditures? According to the Tax Policy Center (for 2008 in \$billions):

- Exclusion of employer contributions for medical insurance premiums and medical care – \$131
- Net exclusion of pension contributions and earnings \$117.7
- Deductibility of mortgage interest on owner occupied homes \$88.5
- Accelerated depreciation of machinery and equipment \$55.9
- Deductibility of nonbusiness state and local taxes other than for owner occupied homes – \$49.1
- Deductibility of charitable contributions \$31.5
- Deferral of income from controlled foreign corporations \$30
- Deductibility of state local property tax on owner occupied homes – \$29.1
- Child credit \$28.4

There apparently will also be a proposal to restrict how much you can accumulate in tax-deferred retirement accounts. You may be limited to \$3 million in those accounts.

#### **CHAINED CPI**

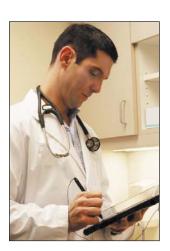
One of the entitlement reforms will be a change to the inflation indexing methodology. One of the items under discussion is changing the type of Consumer Price Index (CPI) that is used for various federal benefit programs like Social Security. The idea is based on the belief the current CPI that is used does not reflect real world economic behavior and is thus too generous.

The index currently in use is the Consumer Price Index for All Urban Consumers (CPI-U). It measured the average change over time in the prices paid by urban consumers for a "market basket" of consumer goods and services. One of the other indices is the Chained Consumer Price Index for All Urban Consumers (C-CPI-U). The "regular" CPI uses a static basket of goods; the "chained" one reflects the effect of any substitution that consumers make across item categories in response to changes in relative prices. The common example is that when the price of beef goes up, consumers switch to chicken if it is cheaper. So if you have a static basket of goods, you are not capturing the adjustment we make in the real world when prices go up.

There are a variety of other plusses and minuses for small business if there is a switch. The wage base for the social security portion of the FICA taxes is capped. The cap is tied to the CPI. If wage base grew less quickly, that would be a good thing (In fact, it has not gone up for two years). Income tax brackets are tied to the CPI as well.

Some of the provisions that allow small business owners to contribute to their pensions are also tied to CPI. They too have been flat, and if the logic of changing the CPI holds true, future increases would be less.





Recently, there have been a proposal and some actions by the federal government to delay a couple aspects of the health care reform system. Health care exchanges are to include an "employee choice" option for small employers. Under this option, the small business could say "I am paying a specific dollar amount for every employee," the employer chooses a metal tier, and the employee can choose whatever

plan the employee likes within that metal tier. It is a sort of a "defined



contribution" approach to health care benefits. Along with the "employee choice" feature, the exchanges will offer a premium aggregation feature that would allow the small employer to just write one check for its contributions and any amounts it withholds from employees' checks for their contributions.

As the result of one recent final rule, the federally-operated exchanges will not offer this option until 2015. At the moment, it looks like the federally-operated exchange will be "default" exchange, at least initially, in 33 states. The federal government has also just proposed allowing the state-operated exchanges to not offer the employee choice option in 2014. In 2015, all exchanges will have to offer this option. The reason is that the insurers and exchanges say they cannot get organized to handle this option in 2014.

For those of you asking what are these "metal" tiers? Here is the explanation. Beginning in 2014, non-grandfathered health plans in the individual and small group markets must meet certain Actuarial Values (AVs), or metal levels: 60 percent for a bronze plan, 70 percent for a silver plan, 80 percent for a gold plan, and 90 percent for a platinum plan. In addition, issuers may offer catastrophic-only coverage with lower AV for eligible individuals. Actuarial Value, or AV, is calculated as the percentage of total average costs for covered benefits that a plan will cover. For example, if a plan has an AV of 70 percent, on average, a consumer would be responsible for 30 percent of the costs of all covered benefits. The 30 percent could be reached through a combination of co-pays, co-insurance and deductibles.

#### **USED TIRE LEGISLATION**

On April 3, the Texas State Transportation Committee unanimously passed (9-0) S.B. 459, legislation which will prohibit the sale of unsafe used tires.

#### **USED TIRE LEGISLATION**

#### continued from page 4

TIA Board member Dick Gust was actively supporting this bill, which will now go to the full Texas Senate for consideration. RMA also supports S.B. 459.

S.B. 459 asserts that a used tire is considered unsafe if:

- a) Is worn to 2/32-inch tread depth or less on any area of the tread;
- b) Has damage exposing the reinforcing piles of the tire, including any cuts, cracks, bulges, punctures, scrapes, or wear;
- c) Has had an improper repair, including:
  - A repair made in the tread shoulder or belt edge area of the tire;
  - 2) A puncture that has not been sealed or patched on the inside and repaired with a cured rubber stem through to the outside of the tire:
  - 3) A repair to the sidewall or bead area of the tire; or
  - 4) A puncture repair of damage larger than ?-inch;
- d) Has evidence of prior use of a temporary tire sealant without evidence of a subsequent proper repair;
- e) Has the tire identification number defaced or removed;
- f) Is a recalled tire the sale of which is prohibited pursuant to federal law;
- g) Has inner liner or bead damage; or
- Has an indication of internal separation, such as a bulge or local area of irregular tread wear.



#### **ESTATE TAX REPEAL DEFEATED**

In a vote that strongly mirrored party lines, the U.S. Senate voted down TIA supported legislation introduced by U.S. Senator John Thune (R-KS) to permanently eliminate the Federal Estate tax.

The measure, an amendment to S. Con. Res. 8, the FY2014 Senate Budget Resolution, was defeated 53-46. One Republican (Susan Collins – ME) joined 52 Democrats opposing the language. Two Democrats (Max Baucus – MT; and Joe Manchin, WV) joined 44 Republicans in support of the repeal.

In a letter to Congress, TIA expressed support for the full and permanent repeal of the estate tax for the following reasons:

Repealing the death tax would spur job creation. According to a study by Douglas Holtz-Eakin, Ph.D, former Director of the Congressional Budget Office, the current 40 percent death tax is holding back the creation of nearly one million small business jobs. A 2012 Joint Economic Committee found that the estate tax has prevented \$1.3 trillion in capital formation, which could have been used to increase employment and expand GDP.

The death tax contributes a very small portion of federal revenues. The death tax currently accounts for only 1/2 of 1 percent of federal revenue. There is a good argument, in fact, that not collecting the death tax would lead to higher economic growth and thereby increased federal revenue from other taxes. Former undersecretary of the Treasury, Steve Entin, found that repealing the estate tax would increase tax revenues by nearly \$89 billion over 10 years using a more realistic, "dynamic" economic analysis. The estate tax imposes burdensome compliance costs and forces family businesses to divert productive capital into large life insurance policies and expensive estate planning.

The death tax falls particularly hard on minorities. African-Americans have just in the last generation started accumulating generational capital, but the death tax threatens to confiscate it. Death tax liabilities bankrupted the Chicago Daily Defender — the oldest black-owned daily newspaper in the United States and will reduce net African-American wealth by 13%, according to a study conducted by Boston College professors John Haven and Paul Schervish. According to a 2004 Impacto Group poll, 50% of Hispanic business owners know someone who sold their business to pay the estate tax and a quarter expect to sell their business because of the estate tax.

#### **ESTATE TAX REPEAL DEFEATED**

continued from page 5

A super-majority of likely voters support eliminating the death tax. Poll after poll has indicated that a super-majority of likely voters support repealing the death tax. Typically, two thirds of likely voters support full and permanent repeal of the death tax. People instinctively feel that the death tax is not fair.

The death tax is unfair. It makes no sense to require grieving families to pay a confiscatory tax on their loved one's nest egg. Often, this tax is paid by selling family assets like farms and businesses. Other times, employees of the family business must be laid off and payrolls slashed. No one should be punished for fulfilling the American dream.

On April 4, TIA representatives Roy Littlefield and Wilson Beach met with Bill Beach, Senate Budget Committee staff, Jon Lieber, representing Senator Mitch McConnell, and business leaders to discuss efforts to keep the repeal effort going.

#### **MAGNUSON-MOSS**

On April 3 TIA's Roy Littlefield and AAIA's Aaron Lowe met with attorneys of the Division of Marketing Practices, Federal Trade Commission to again raise issues and concerns about automobile manufacturers violating Magnuson-Moss warranty provisions and pushing consumers to return to automobile dealers for "warranty" service and repairs.

With new car sales waning, vehicle manufacturers and their franchised dealers have been pursuing an increasingly aggressive strategy aimed at growing sales of their original equipment replacement parts and repair services. The result has been a smear campaign by the vehicle manufacturers, which aims to discredit the quality of aftermarket parts by suggesting that the use of such parts could result in the invalidation of a vehicle's warranty. For instance, in a 2011 release, Mazda alleged "aftermarket parts are generally made to a lower standard in order to cut costs and lack the testing required to determine their effectiveness in vehicle performance and safety... Mazda also recommends that car owners use original equipment replacement parts in repairs in order to ensure the validity of their warranty."

Enacted in 1975, the Magnuson-Moss Warranty Act prohibits manufacturers from conditioning consumer warranties on the use of any original equipment part or service. Furthermore, a manufacturer can only deny warranty coverage if it can demonstrate that a non-

original equipment part or related service caused a direct defect to occur in the original product. Of course, in the case of motor vehicles, new car manufacturers have ignored these conditions outlined in Magnuson-Moss and have misled consumers to believe that they must have dealer service shops install only original equipment replacement parts or fear having their new car warranty voided.

The Federal Trade Commission (FTC) is responsible for enforcing the Magnuson-Moss Warranty Act; however, in the case of motor vehicles, the FTC Federal Trade Commission has taken little action to ensure consumers receive accurate information regarding their rights under their new car warranties.

TIA and AAIA have filed complaints with the FTC, taking issue with the unsubstantiated claims made by the vehicle manufacturers regarding the quality of aftermarket parts and the conditioning of warranties on the use of certain parts. TIA and AAIA have reached out to the FTC indirectly through our allies in Congress who have been encouraged to put pressure on the FTC to take action against vehicle manufacturers. In response to an FTC Request for Comment on its warranty-related interpretations, AAIA and TIA have called on the Commission to provide for better disclosure of a consumer's rights under a new car warranty and for require substantiation be provided with any claims made by the vehicle manufacturers that non-original equipment parts are substandard.

#### TAX REFORM



TIA has written to the Small Business Tax Reform Working Group of the U.S. House of Representatives' Ways and Means Committee concerning the proposed "small business" draft revisions to the Internal Revenue Code (IRC). The hope is that this bold and innovative effort will ultimately lead to a unified business taxation system.

#### **TAX REFORM**

#### continued from page 6

TIA believes that it will be difficult to simplify the tax responsibilities of small business and do so in a fair way until we achieve some measure of unification.

#### TIA supports:

- The initiative to increase permanently and index for inflation the direct expensing allowance under the IRC Section 179. We would prefer the allowance level be set initially at \$500,000 and the "cap" on purchases be set at \$2 million, the current temporary amounts.
- The proposal to revise and expand the ability of small businesses to utilize cash basis tax accounting practices.
- The consolidation of the "startup" costs tax treatment changes, the tax return due date simplification and the shortening of the built in gain period for conversion from C Corporation to S Corporation.

Without the inventory accounting requirement elimination, neither distributors nor retailers would be able to take advantage of the proposal. In addition, there are many other businesses that would be caught in a grey area. TIA has a long history of working through the cash basis accounting dilemma. TIA was actively involved in the discussions that led to some administrative relief in the early 2000's for some small business. (Revenue Procedure 2002-28 was the final product.) Those discussions confirmed that it has become increasingly difficult to draw clear lines between materials and supplies, "incidental" inventory and full inventory situations.

## WHAT DOES MASSACHUSETTS RIGHT TO REPAIR MEAN FOR THE REST OF THE UNITED STATES?

Last November, Massachusetts voters overwhelmingly approved, 85-15 percent, a referendum that mandates car companies make all service information, software and tools available to car owners and independent repair shops. Passage of the referendum followed action by the State Legislature in July of last year to pass a right to repair bill that had been negotiated by state legislators, car companies, new car dealers and the aftermarket. Since the legislative action came after a July 3 statutory deadline, the right to repair referendum could not be withdrawn from the November 6 ballot. Therefore, state legislature is

now working to pass a bill that would reconcile the ballot measure and the bill that was passed by the state legislature.

Although there are some differences between the referendum and the legislation passed in July, the bills share the same basic requirements. These include:

- A Mandate that car companies immediately make available to the independent vehicle repair industry the same tools, software and repair information that they make available to the franchised dealers.
- Requirements that, beginning in model year 2015 (2018 in the bill that passed the legislature), car companies maintain all of their software and service information on an electronic data base that is available to consumers and independent service facilities on a daily, monthly and yearly subscription basis. Further, car companies would need to provide their diagnostic and repair software through a standardized vehicle interface that meets the Society for Automotive Engineers J2534 (the bill would also permit use of the International Standards Organization (ISO) 22900 standards). The use of a standardized interface will reduce the need for shops to purchase proprietary manufacturer tools, reducing capital cost while providing shops the ability to affordably access to the most up to date tools that are now often only available to franchised dealer technicians.
- An enforcement provision that would subject car companies to treble damages for non-compliance under the State's strong 93A consumer protection statute.

In addition to the actions now underway in Massachusetts to pass a reconciliation measure, the aftermarket and the car companies also are in the process of negotiating a memorandum of understanding whereby the car companies would agree to abide by the Massachusetts law in all fifty states. The MOU will require the aftermarket and car companies to develop an alternative enforcement strategy such that any independent shop or car owners would be able to take action to compel a car company to comply with the MOU's requirements.

The Tire Industry Association (TIA) was part of the coalition to help ensure that the Right to Repair billed passed. TIA hopes that the strong support that the ballot initiative received with voters will be the impetus for the U.S Congress to pass a similar bill nationwide.

## TIA would like to recognize and thank all individuals who contributed in 2012-2013 to the successful TirePAC fundraising campaign.



Goal of \$30,000

### **TirePAC Prior Approval Form**

Federal law requires that the Tire Industry Association (TIA) receive your company's permission before we solicit your officers and employees for contributions to TIA's TirePAC, our federal political action committee. This *Prior Approval Form* is not a solicitation and does not obligate you (or other officers or employees of your company) to contribute to TirePAC, and does not in any way limit contributions you may make to political candidates or parties. However, your company may not provide authorization (to solicit your officers and employees for federal PAC contributions) to more than one trade association in the same calendar year. As indicated below, solicitation authorization may be given to TIA for more than one year in advance. Please complete the form, signing for each year you are providing authorization, and promptly mail or fax it to the address or number shown below.

For federal campaign contributions only, I understand that my company's approval is necessary before TIA may solicit contributions from my company's officers and employees to TirePAC, and understand that my company may not authorize federal PAC solicitations by more than one trade association in the same calendar year. By my signature below, I hereby provide authorization to TIA to solicit my company's officers and employees for voluntary contributions to TirePAC during the calendar years so indicated:

#### Contact Information (Please PRINT clearly)

Name									
Title									
Company Name									
Company Address									
City	State	Zip+4							
Country (other than U.S.)		Postal Code							
Phone	Fax	Fax							
E-mail	Website	Website							
Please sign below to authorize for one year, or	up to five years:								
Authorizing Signature Required for 2013									
Authorizing Signature Required for 2014									
Authorizing Signature Required for 2015									
Authorizing Signature Required for 2016									
Authorizing Signature Required for 2017									

#### By Mail:

TIA TirePAC Attention: Roy Littlefield 1532 Pointer Ridge Place, Suite G Bowie, Maryland 20716-1883

#### By Fax:

301-430-7283



# TIREPAC ENROLLMENT FORM

CONTACT INFORMATION (please print)



Yes, I want to join TirePAC to help protect the future of my business and the tire industry!

	Name											
	Home Street Address											
	City					State		Zip+4		-		
	Country (other than U.S.)					Postal Cod			Code			
	Company Name											
	Occupation											
SUGGESTED CONTRIBUTION LEVELS FOR 2013												
	<b>\$25</b>	<b>\$50</b>		<b>\$100</b>	[	\$250		\$500		□ Other		
METHOD OF PAYMENT												
	☐ Check (make p	ayable to Ti	irePAC)	□ VISA	[	☐ MasterCard		AMEX				
	Credit Card Numbe	r								Expiration Date		
	Card Holder Name (please print)											
	Card Holder Signat	ure								Date		
Please mail this form to: TIA TirePAC Attn: Roy Littlefield 1532 Pointer Ridge F Bowie, MD 20716-18					dge Place	e, Suite G	or	fax to:	301	-430-7283		

Only personal checks and personal credit cards are accepted. Corporate donations are prohibited by federal law.

Payment guidelines are merely suggestions, and you may contribute more or less than the guidelines suggest. TIA will not favor or disadvantage anyone by reason of the amount contributed or a decision not to contribute.

Contributions to TirePAC are for political purposes. All contributions to TirePAC are voluntary, and pledges can be revoked at any time prior to the time at which contributions are made. Contributions to TirePAC are not deductible for federal income tax purposes.

Federal law requires TIA to use its best efforts to collect and report to the Federal Election Commission the name, mailing address, occupation and the employer's name of those whose contributions exceed \$200 total in a calendar year.

A copy of our report is filed with and available from the Federal Election Commission, 999 E. Street, NW, Washington, DC 20463, or at www.fec.gov.

TIA complies with all federal election laws and regulations concerning the solicitation and acceptance of PAC contributions, and all other aspects of PAC operations.