



De Filipp's

LIFO LOOKOUT

A Quarterly Update of LIFO - News, Views and Ideas

Volume 6, Number 1

Publisher: Willard J. De Filippis, C.P.A.

March 1996

LIFO UPDATE

If you had called me personally to ask "What's happening lately with LIFO that I need to know about?"...Here's what I'd say:

#1. THANKS FOR BEING A SUBSCRIBER. This issue begins our 6th year of publication. Whether this is Issue #1 or #21 for you, we thank you for your continued interest in our coverage of LIFO developments.

#2. LIFO FINANCIAL STATEMENT CONFORMITY REQUIREMENTS FOR AUTO DEALERS.

In this issue of the *LIFO Lookout*, we will temporarily ignore the controversy surrounding auto dealer financial statement LIFO conformity requirements. IRS and NADA are still trying to "work things out" and speculation about specifics of the outcome would be just that. If you want speculation, re-read pages 12-13 of the last/December, 1995 issue.

What can I tell you? ...Expect something soon...Expect it to be unpleasant...Don't blame NADA if you don't like what comes when it gets here. The IRS has been sitting on this for some time now and the Revenue Procedure will be a bombshell for some dealers and CPAs. Hopefully, you won't be one of them.

#3. NEW ITEM CATEGORIES FOR 1996 MODELS: COMPARISON OF "UNOFFICIAL" LISTS.

In the past, we published our new items list in our March issue, followed later by an analysis of the IRS' new items list when that became available. With the more timely recent release of the IRS' "Unofficial" New Items List covering the "December 1995 Calendar Year," we felt you would benefit more from a side-by-side listing format directly pointing out our differences and, in some cases, why we differ.

Keep in mind that the IRS list is not an "Official" list...and neither is ours... in fact, there is no official list. We believe that everyone—CPAs, auto dealers, IRS and NADA—would benefit from a single, timely released "Official" new items list.

LOOKOUT LOOKS INTO

LIFO UPDATE	1
LIFO AND BARGAIN PURCHASES	
KOHLER CO. AND SUBS :	
ANOTHER IRS VICTORY/TAXPAYER DEFEAT	3
NEW ITEM REPORT FOR 1995 CALENDAR YEAR DEALERS	
1995-96-97 MODELS IN DEC., 1995 INVENTORIES	
OVERVIEW AND COMMENTS	6
COMPARISON OF LIFO LOOKOUT AND IRS MOTOR	
VEHICLE INDUSTRY "UNOFFICIAL" NEW ITEM LISTS ..	9
USED VEHICLE LIFO: TAX RETURN REPORTING	21
FORM 970 SAMPLE	22
PROFORMA ATTACHMENTS	23
COMMENTS & REMINDERS CHECKLIST	26

#4. DISCLAIMER: QUICKLIFO USERS: We have received many calls regarding QuickLIFO which has associated my name with its software product and purports to use our new item determinations as part of its software database. QuickLIFO users will note many instances where our new items determinations differ from those made by QuickLIFO.

We have repeatedly asked QuickLIFO to remove what might be confusing or misleading associations of our name from its advertising and product literature. After great delay, they tell us that will take time.

We have never consulted with QuickLIFO as to any aspect or element of its software development. We have never endorsed QuickLIFO's software. We have been advised by QuickLIFO that its sales representatives have not made any assertions to the contrary in discussing its LIFO software with potential purchasers. Please let us know if this has not been the case in your situation.

see LIFO UPDATE, page 2

LIFO Update

#5. LIFO AND BARGAIN PURCHASES. In a recent decision in the U.S. Court of Federal Claims, *Kohler Co. and Subsidiaries vs. USA*, the question was again raised as to whether the use of LIFO in connection with a bargain purchase "clearly reflected income." Goods in the opening inventory that had been bargain purchased at a substantial—50%—discount were included in the same pool as goods manufactured later in the year.

The Federal Claims Court reinforced the Tax Court's seemingly unstoppable rationale in *Hamilton Industries*. It held against the taxpayer—and for the IRS—in adjusting for a transaction that took place almost 20 years ago. Ah,...the power of Section 481.

#6. NEW/REVISED FORM 970. Every LIFO election requires the filing of Form 970, Application to Use LIFO Inventory Method, a 1-page form that is updated periodically. The most current Form 970 now bears a revision date of December, 1995...replacing the previous November, 1992 version.

The December, 1995 revision is similar in all respects to the previous version, but it now has three pages of instructions (instead of just one). You'll be pleased to note that the estimated average time for recordkeeping in connection with this form is 9 hours, 20 minutes, learning about the law or the form requires only 2 hours, 17 minutes and preparing and sending the form to the IRS will take only slightly longer (2 hours, 32 minutes). If you have comments concerning the accuracy of these time estimates or suggestions for making the form *simpler*, the IRS says it would be happy to hear from you.

The instructions provide that "If you prefer, you may file a statement that gives the same information asked

(Continued from page 1)

for on Form 970." So, technically, you don't have to file Form 970...but you'd better be sure you provide all of the information that the form requests and answer all the questions.

The signature block on Form 970 has been expanded to accommodate members of a consolidated group electing LIFO. The instructions indicate that if the taxpayer is a member of a consolidated group, Form 970 must also be signed by a duly authorized officer of the common parent, citing Reg. Sec. 1.1502-77.

#7. USED VEHICLE LIFO: A PRACTICE GUIDE.

At the end of calendar 1995, many dealers elected to apply LIFO to their used vehicle inventories. Inflation rates for used vehicles generally seemed to be around 4% for used autos and slightly higher—closer to 5%—for used light-duty trucks.

The IRS has never published any official guidance on how used vehicle LIFO computations should be made or what is an acceptable computational methodology. The December, 1994 *LIFO Lookout* discussed the theory and practice of LIFO for used vehicles and contained computation specifics and suggestions. Nothing new has come to our attention since then.

Beginning at page 21, we have included a sample or proforma Form 970 "filing package" so you won't have to "reinvent the wheel" if you are now dealing with the disclosure requirements in tax returns extending LIFO to used vehicles.

WARNING: This information requires your review and editing, and it should not be used without first being specifically tailored to your own situation.



De Filippis' LIFO LOOKOUT

Willard J. De Filippis, CPA, P.C.

317 West Prospect Avenue Mt. Prospect, IL 60056

(847) 577-3977 FAX (847) 577-1073

Published Quarterly
March, June, September
and December
\$325

Start my subscription for the next four issues of the *LIFO Lookout* with the _____ issue.

☐ YES!

My check for \$325 is enclosed for 4 issues.

Back Issues of the *LIFO Lookout* are available for \$70 each. Please send me:

1996:	<input type="checkbox"/> 1Q (Mar '96)			
1995:	<input type="checkbox"/> 1Q (Mar '95)	<input type="checkbox"/> 2Q (June '95)	<input type="checkbox"/> 3Q (Sep '95)	<input type="checkbox"/> 4Q (Dec '95)
1994:	<input type="checkbox"/> 1Q (Mar '94)	<input type="checkbox"/> 2Q (June '94)	<input type="checkbox"/> 3Q (Sep '94)	<input type="checkbox"/> 4Q (Dec '94)
1993:	<input type="checkbox"/> 1Q (Mar '93)	<input type="checkbox"/> 2Q (June '93)	<input type="checkbox"/> 3Q (Sep '93)	<input type="checkbox"/> 4Q (Dec '93)
1992:	<input type="checkbox"/> 1Q (Mar '92)	<input type="checkbox"/> 2Q (June '92)	<input type="checkbox"/> 3Q (Sep '92)	<input type="checkbox"/> 4Q (Dec '92)
1991:	<input type="checkbox"/> 1Q (Mar '91)	<input type="checkbox"/> 2Q (June '91)	<input type="checkbox"/> 3Q (Sep '91)	<input type="checkbox"/> 4Q (Dec '91)

NAME(S): _____

FIRM NAME: _____

ADDRESS: _____

CITY: _____ STATE: _____ ZIP: _____ PHONE: (_____) _____

LIFO AND BARGAIN PURCHASES

KOHLER CO. AND SUBSIDIARIES:

ANOTHER IRS VICTORY...AND ANOTHER TAXPAYER DEFEAT

In November, 1995, the United States Court of Federal Claims supported the Internal Revenue Service and overruled the use of LIFO by the taxpayer (*Kohler Co. and Subsidiaries*) in connection with a bargain purchase acquisition of initial inventory.

BACKGROUND

In 1978, Sterling Faucet bought all of the inventory of Rockwell International Corp. at a bargain purchase—50%—discount. In 1984, Kohler Company acquired Sterling Faucet and many years later the IRS attacked the use of LIFO in connection with the original acquisition of inventory in 1978. Readers are not burdened with the presentation of many facts in this case. About the only “pure number” presented is the 50% discount, with no further qualification. The cases cited as legal precedent are all familiar names and the Court concluded that the taxpayer’s method did not clearly reflect income where it used the LIFO method of accounting in connection with its original bargain purchase.

As the Court framed the issue, Congress has given the Commissioner of Internal Revenue discretion to change a taxpayer’s accounting method if it does not clearly reflect income. The entire opening inventory of the taxpayer in its first year of existence consisted of goods that had been purchased at a substantial discount. The IRS determined that the taxpayer’s LIFO accounting method did not reflect income from the sale of these items. Accordingly, the issue was whether those bargain-purchase goods may be grouped with physically similar goods manufactured or purchased at “normal” costs. The goods purchased at a bargain price were physically identical to goods later produced and the taxpayer believed that the cost difference in the items should not affect the manner in which physically identical goods were accounted for under its LIFO method.

WHAT THE CLAIMS COURT SAID

The Court pointed out that tracking bargain-purchase goods with manufactured goods produced at cost avoids or postpones relatively higher income from the sale of the discounted goods. Because of the LIFO assumption of cost flows, the goods purchased at a discount **might never be included in income**.

Under LIFO, goods that are not considered as sold in the year they are acquired are less likely to be considered as sold in subsequent years when unsold goods are “insulated” by another layer of inventory. This continues every year that the number (or the dollar value) of goods sold is less than the number (or

the dollar value) of goods manufactured or purchased. Accordingly, income from the sale of bargain-purchase goods might never be realized...until the company liquidates. For that reason, the Court of Claims held that the Commissioner reasonably determined that the taxpayer’s LIFO method of accounting did not clearly reflect income.

In its more detailed discussion, the Court observed that the goal of a taxpayer’s (LIFO) accounting method should be to ensure that factors other than inflation do not affect the income calculation.

The Court observed that if a taxpayer were to use the First-In, First-Out (FIFO) method, it would realize greater income earlier because lower priced goods are considered to be sold first. However, that greater income would not account for the (higher, inflationary) cost of replacing goods in inventory. Under LIFO, the higher income from the sale of lower cost, earlier-produced or purchased goods is deferred until the business depletes its prior-year inventory. LIFO allows the taxpayer to match current costs with current revenues more accurately, but LIFO usually results in lower taxes. According to the Court, “this is acceptable because the lower taxes on lower income is (sic) attributable to inventory inflation.”

To isolate the effect of inflation from other reasons that costs may increase from year-to-year, it is important to group like goods together and to separate dissimilar goods (citing *Amity Leather Products Co. v. Commissioner*, 82 T.C. 726, 731-34 (1984)). The more homogeneous that each inventory category can be made, the better it will screen out cost increases caused by non-inflationary factors, thus producing a clearer reflection of income than would be possible with categories containing heterogeneous agglomerations of goods (citing *Hamilton Industries v. Commissioner*, 97 T.C. 120, 132 (1991)).

These groupings are important under dollar-value LIFO because actual goods are not tracked; instead, inventory is tracked or monitored by dollar-aggregate costs. The dollar-value method measures increases or decreases in inventory in terms of total dollars - rather than units - invested in the inventory. The dollar-value LIFO method depends on grouping the inventory goods into “pools” (reflecting the taxpayer’s natural business unit or major lines, types or classes of goods) and “items” (which are subdivisions of pools) that will meet this goal (citing *Wendle Ford Sales, Inc. v. Commissioner*, 72 T.C. 447 (1979)).

see LIFO AND BARGAIN PURCHASES..., page 4



LIFO and Bargain Purchases...

In *Kohler*, the parties agreed that the technical distinction between "items" and "pools" did not matter for purposes of their dispute. The Court felt that LIFO treatment in this instance was not consistent with the theory that income differences under LIFO accounting are attributable to only "inventory profits" or inflation. Where a taxpayer's inventory has a cost basis that differs from current-year costs for reasons other than inflation, the taxpayer avoids more than inflation; it avoids income attributable to these other factors (i.e., factors other than inflation).

The Court quoted liberally from the *Hamilton* decision, wherein that taxpayer had purchased the inventory assets of two companies at discounts of 96% and 60% of the value of the inventory in the hands of the sellers. The substantial discounts in *Hamilton* indicated that the purchased inventory "possessed materially different **cost characteristics**" from later-purchased or produced inventory and treating the goods as the same "item" was contrary to the purpose of the LIFO method, which was "not intended to permit taxpayers to include in Cost of Goods Sold cost increases attributable to the replacement of goods with **low cost characteristics** with goods possessing **higher cost characteristics**."

The Tax Court in *Hamilton* pointed out that the "clear reflection of income" determination can only be made on a case-by-case basis. It stated that it did not mean to suggest that every bargain purchase of inventoriable property will require the creation of new items within the dollar-value LIFO pool. Where isolated bargain purchase transactions occurred in the course of an on-going business, those purchases might not be subject to a challenge by the IRS that LIFO was not appropriate.

Here's what the *Hamilton* Court said: "We do not mean to suggest that every bargain purchase of inventoriable property will require the creation of new items within the dollar-value LIFO pool, as occasional purchases concluded on advantageous terms are to be expected in the course of normal business activities. Moreover, where a taxpayer uses LIFO, the gain realized upon sale of such goods probably will be recognized within a short time, unless an increase in closing inventory prevents such bargain cost from flowing into Cost of Goods Sold. Consequently, an isolated bargain purchase in the course of an ongoing business differs materially from the case where a taxpayer attempts to value its entire base-year inventory at bargain cost."

In the *Kohler* situation, the subsidiary had purchased goods at a discount of roughly 50%. In addition, that bulk purchase constituted the subsidiary's entire opening inventory. Citing *Thor Power Tool*, the Court pointed out that "grouping

(Continued from page 3)

these goods with later-purchased goods or manufactured goods under dollar-value LIFO accounting would have prevented the income from the sale of these goods from being realized for tax purposes for an unknown period of time, perhaps forever. ...While the deferral of higher income is an acceptable result of the LIFO method of accounting, we cannot find that the (LIFO) method was intended to defer the flow of lower costs that are not the result of inflation."

CHANGE IN ACCOUNTING METHOD— NO STATUTE OF LIMITATIONS PROTECTION

The bargain purchase transaction in question occurred in 1978. Kohler claimed that the Commissioner's action was improper because the taxable years affected by the change in treatment were barred by the 3-year statute of limitations and that the adjustment was not consistent with Section 481(a).

The Court thoroughly thrashed this contention. It pointed out that "Section 481 would be virtually useless if it did not affect closed years. ...The purpose of Section 481 is to prevent a distortion of income and a windfall for the taxpayer as a result of a change in method that otherwise would be barred by the statute of limitations. ...Thus, Section 481 allows the Commissioner to make adjustments in an open year to closed taxable years and...is proper if it is necessary to prevent the omission of income because of the change in the method of accounting. ...An adjustment in the earliest open taxable year ensures that income will not be omitted. Thus, the adjustment is proper to prevent the omission of income."

LOOKOUT COVERAGE RE: HAMILTON ISSUES

In the September, 1995 *LIFO Lookout*, we covered the IRS' Coordinated Issues Paper dealing with *Hamilton Industries*-type bargain purchases. Our article stated (on page 22)... "Apparently, the 1995 version incorporates the aftermath of the IRS' additional experiences in LTRs 9328002, 9446003 and *Hitachi Sales Corp.*" To those "additional experiences," add the *Kohler Co. and Subsidiaries* case decided in the U.S. Court of Federal Claims November 3, 1995 (No. 94-628T). For more on bargain purchase situations, see prior issues of the *Lookout* (below) and the other articles listed on page 5.

- "Bargain Purchases of Inventory...ISP Paper...September, 1995...Hamilton Gets Stronger" in the September, 1995 issue of the *LIFO Lookout*.
- Also, see December, 1991 issue of the *LIFO Lookout* for extensive discussions of the *Hamilton Industries* decision in the Tax Court and IRS Announcement 91-173 which followed shortly thereafter.

✱



HAMILTON-TYPE LIFO BARGAIN PURCHASE ISSUES A SELECTED BIBLIOGRAPHY

10
YEARS

- 1985** Revenue Ruling 85-172.
Revenue Ruling 85-176.
IRS General Counsel Memorandums (GCM) 39470.
- 1986** "LIFO for Bargain-Purchased Inventories: The Tax Connection." Endsley & Cesnik, *Journal of Accountancy*, August, 1986 (pages 94-100).
"Acquisitions of Inventory Need Separate LIFO Pool." Robert Schnur, *The Journal of Taxation*, September, 1986 (pages 172-175).
- 1990** "IRS Attack on the Use of LIFO in Bargain Purchases of Inventory." *The Tax Advisor*, July, 1990, (pages 408-410).
- 1991** IRS Announcement 91-173.
"Hamilton Industries: A New LIFO Nightmare," Willard J. De Filippis, *LIFO Lookout*, December 1991, (pages 4-5, *et seq.*).
- 1992** "Tax Court Requires Separate Item Treatment for Bargain Purchases of Inventory." Eugene Seago, *Journal of Taxation*, February, 1992, (pages 86-90).
"Hamilton Industries: Abusing the Clear Reflection Standard." Levy, MacNeil, & Guarascio, *Tax Notes*, February 20, 1992, (page 741).
"When Bargain Purchase Inventory Exists, the Effect of LIFO Should Not be Disregarded." *Tax Advisor*, January, 1992, (pages 33-35).
"Bargain Purchases of Inventory and Dollar-Value LIFO: Hamilton Should be Overturned!" Maples & Turner, *Tax Notes*, March 23, 1992, (pages 1533-1537).
"Bargain Purchase Element in LIFO Inventories at Risk." William A. Katz, *The CPA Journal*, May, 1992, (pages 62-63).
- 1993** "IRS Seems Determined to Stretch Hamilton," William Raby, *Tax Notes*, August 23, 1993, (pages 1126-1129).
IRS Letter Ruling 9328002.
- 1994** "How Far Does Hamilton Extend?" MacNeil, Guarascio & Young, *Tax Notes*, May 2, 1994, (pages 603-609).
"Benefits Available Under The Retail Dollar-Value LIFO Method Despite Many Obstacles." Seago & Davis, *Journal of Taxation*, June, 1994, (pages 346-354).
IRS Letter Ruling 9446003.
IRS Proposed Coordinated Issue Paper—Dollar Value LIFO: Bargain Purchase Inventory...April, 1994.
- 1995** IRS Coordinated Issue Paper—Dollar Value LIFO: Bargain Purchase Inventory (Effective September 9, 1995, superseding *Proposed Coordinated Issue Paper* April, 1994).
"Bargain Purchase of Inventory...ISP Paper...September 1995...Hamilton Gets Stronger," Willard J. De Filippis, *LIFO Lookout*, September 1995 (pages 22-23).
"Piling Bargain Purchase Fantasy on Top of LIFO/FIFO Fiction." Raby & Raby, *Tax Notes*, November 20, 1995, (pages 1017-1019).
"The Item Is The Issue," Eugene Seago, *Tax Notes*, December 11, 1995, (pages 1413-1414).

* See also cases cited in text: *Kohler Co. and Subs., Hamilton Industries, Amity Leather Products, Wendle Ford Sales...and Fox Chevrolet, UFE and Thor Power Tool.*



1996 NEW ITEM REPORT FOR 1995 CALENDAR YEAR DEALERS

1995-96-97 MODELS IN DECEMBER, 1995 INVENTORIES

We are pleased to present our 1996 New Item Report. It has been expanded this year to show side-by-side our "unofficial" determinations of new items and those made by the IRS Motor Vehicle Industry Specialist.

HOW TO INTERPRET OUR REPORT

The detailed new item listings run 11 pages, starting with new automobiles (pages 1 through 7) followed by new light-duty trucks...including sport utility vehicles, minivans and off-roads...bringing up the rear (pages 7 through 11). These tables show complete make, model, body style and model code information.

Each page shows "our" **LIFO Lookout/SuperLIFO™** new items list on the left-hand side and the right-hand side (including the "Yes" column) shows the IRS' Motor Vehicle Industry new item listing. To make it easier to concentrate on the differences, where a new item on our list also appears on the IRS' list, that detailed item category has not been recopied onto the right-hand side. What appears on the right-hand side/"IRS' half of the page" are only those item categories which the IRS determined to be "new" but which do not appear on our list.

The "Yes/No" columns should be read as follows: If an "X" appears in the "Yes" column, that item category has been determined by the Internal Revenue Service to be a new item category. Every item category listed on the left-hand side of the page with a corresponding "X" in the "Yes" column shows those item categories where we are in agreement with the IRS. Where there are blank spaces on the left-hand side of the page, but entries on the corresponding right-hand side of the page, you can clearly see those item categories which the IRS determined to be new, but which we did not. We have included "comment code" and "comments" columns. The legend (on the cover page of our New Item Report) explains the abbreviations in the "comment code" column. In many instances, varying introduction dates created differences in our respective determinations.

In reviewing our determinations and comparing them with the IRS...and in talking with the IRS about our respective lists...it is interesting to note that last year (in our 1995 New Item Reports) the IRS listed anything that came in after the beginning of the year as a new item...and we did not. This year, in many instances, the opposite occurred. In other words, for 1996 models, the IRS did not necessarily include all items introduced after the beginning of the year as new items!

If an "X" appears in the "No" column, that item category is listed on the left-hand (our) side and that is an item category that we treated as "new", but which the IRS did not. For example, the BMW 850 Ci 2-dr Coupe 5-sp was an item that we determined to be a new item category, but the IRS did not. In some instances, we understand why we disagree (i.e., see the "comments" column) and in other situations, we're not quite sure why we don't agree.

IN SHORT: Everything listed on the left-hand (our) side with an "X" in the "Yes" column is an item category where we agreed with the IRS that it was a new item. Everything with an "X" in the "Yes" column is on the IRS' new item list. Everything on the right-hand (IRS list) side of the page is an item category that the IRS considered to be new...and we did not. Everything with an "X" in the "No" column was something that we thought should be a new item, but the IRS did not agree.

On an overall basis, we identified 352 new item categories (204 autos and 148 light-duty trucks) and the IRS identified 416 new item categories (257 autos and 159 light-duty trucks).

NEW ITEM: THE CONSEQUENCE

New item categories under the Alternative LIFO Method are required to be included in the annual inflation index computation at a 1.000 factor. This is accomplished by using the end-of-the-year base cost as the beginning-of-the-year base cost. Since any number divided by itself equals 1.000, a new item contributes no inflation to the annual index. →

NEW ITEM CATEGORY

- Any new or reassigned manufacturer's model code that was caused by a change in an existing vehicle,
- A manufacturer's model code created or reassigned because the classified vehicle did not previously exist, or
- If there is no change in a manufacturer's model code, but there has been a change to the platform (i.e., the piece of metal at the bottom of the chassis that determines the length and width of the vehicle and the structural set-up of the vehicle) that results in a change in track width or wheel base, whether or not the same model name was previously used by the manufacturer, a new item category is created.

Rev. Proc. 92-79; Section 4.02(5).



REASONS FOR DIFFERENCES IN LISTS

- Minor variations in item category breakdowns (i.e., method of listing automatic and 5-speed item categories with the same base price or the extent of recording regionally specific market or value-priced editions).
- Differences in information available at release dates (in some cases, the IRS did not include 1995 models introduced after January 1, 1995, whereas on our list, we included these 1995 models, where appropriate, as new items. Also, the IRS list did not include 1997 models—Buick LeSabre and Ford F150 Pickup.),
- Interpretation of "new item" definition language in Section 4.02(5) of Rev. Proc. 92-79, basically in situations involving only model code changes and/or engine changes. One of the major differences in interpretation causing differences in our lists relates to engine changes: The IRS treated any engine change as automatically resulting in a new item whereas we did not...and
- Variations in item category breakdown, including situations involving special editions, such as California, Alaska, Hawaii, Massachusetts and New York special values, which state-specific values seemed to replace national marketing and regional marketing packages described in last year's new vehicle pricing.

BUICK REGAL: On GM's price list, the 1996 Buick Regal had one 2-dr model (custom coupe) and three 4-dr models (custom sedan, limited sedan and Gran Sport sedan). On the price list, for the 2-dr coupe model, the Gran Sport was listed as an option package with added cost. However, on actual Buick invoices, the description of the 2-dr vehicles at the top of the invoices was either Custom Coupe or Gran Sport Coupe, with each having the same base price. In our database, the two 2-dr models are listed as separate item categories in order to facilitate the carryforward of the average cost by item category to the next year. As a consequence of this more detailed separate listing in our database, the 2-dr Gran Sport Coupe was treated as a new item on our list.

OLDSMOBILES: Across the board, Oldsmobile tinkered with its disclosure of option packages as part of its model codes, doing so by incorporating option package references into prior model codes. Olds changed the package designation for each model; in most instances, the content(s) of the option package changed very little...but, it DID CHANGE.

(Continued)

Thus, the model code (which is the key descriptor in the new item definition) changed as a result. One of the three tests triggering a new item is satisfied when there is "any new...manufacturer's model code that was caused by a change in an existing vehicle." If the option package content changed...even ever so slightly...did a simultaneous change in the model code (as minor as simply adding a few digits to reference the option package) result in a new item?...Was the change in the model code "caused by"...a change in the existing vehicle?

The answers seem to depend on whether one is permitted or willing to depart from the strict language in the Revenue Procedure. It would appear that in order to avoid an unfair, illogical or unnecessarily harsh interpretation, the IRS chose to "bend a little" on this and it concluded that many of the Oldsmobiles so affected were not new items. Again this year, we were caught off guard by the unexplainable inconsistency of the IRS in its determinations. **QUERY:** How would the people in the IRS National Office in Washington, D.C.—who actually wrote the Revenue Procedure—answer these questions?

PLYMOUTH BREEZE: The introduction of the new 1996 Plymouth Breeze model presents an unusual fact pattern that will have to be dealt with next year. Without question, the Plymouth Breeze is a new item for any dealer that had it in inventory at December 31, 1995. There was never a Plymouth Breeze model before.

Here's the potential "problem" for December 31, 1996 inventories: Plymouth's official introduction date for the Breeze was stated as January 3, 1996. However, many Plymouth dealers actually had Breeze models on their lots and in their December 31, 1995 ending inventories. Factory representatives have indicated that Breeze model prices were effective at the time of initial shipment in 1995 and that dealers could sell these vehicles as soon as they received them. Therefore, dealerships having the Breeze models in inventory at December 31, 1995 will actually have a real average cost for repricing purposes if they have Breeze models in their December 31, 1996 inventories. However, at the end of 1996, if a Plymouth dealer did not have Breeze models on hand at the end of 1995, that dealer will have to reflect both the 1996 and the 1997 Breeze models at 1.000 for repricing purposes in their December 31, 1996 ending inventories (because there is no price list in effect as of December 1, 1995 for them to look at...and Revenue Procedure 92-79 makes no mention of looking at what other dealers might have paid for the vehicle as an acceptable substitute cost).

see 1996 NEW ITEM REPORT..., page 8



1996 New Item Report...

FORD EXPLORERS: In comparing the light-duty trucks, we did not consider the Ford Explorers as new items; however, these items did appear on the IRS' list. The 1995 Explorers were introduced on December 8, 1994. As a consequence, there was no price in effect for them on the magic date: December 1, 1994 price list. The December 1, 1994 price list is the only authorized source for substitute prices for repricing purposes.

Although Ford Explorers did not have a cost as of December 1, 1994, they were available on December 31, 1994. Consequently, they are not shown as new items on our list as of December 31, 1995. For repricing purposes, however, both 1995 Ford Explorers and 1996 Ford Explorers in ending inventory at December 31, 1995 would have to be repriced at 1.000 (i.e., year-end actual cost equals beginning-of-the-year actual cost) because there was no price in effect on the December 1, 1994 price list that could be used as the substitute beginning-of-the-year price.

We do not believe Ford Explorers were new items with respect to December 31, 1995, even though the IRS apparently believes they are. The silence of the Revenue Procedure on what to do when vehicles are introduced after December 1 but are available at December 31 creates potential problems for both CPAs and for the IRS.

Our discussions of Ford Explorers and Plymouth Breezes point out a particularly unfair result. We strongly believe that in situations where a vehicle falls in this Catch 22 timing scenario, a dealer who did not have that vehicle on hand at year-end should be able to use the actual cost per the manufacturer's price list at December 31 instead of being penalized because there was no price list for that item as of

(Continued from page 7)

December 1. Otherwise, that dealer's LIFO calculations in the next year will miss or omit a full year's worth of inflation on that model.

FORD F150 PICKUPS: The long list of 1997 Ford F150 Pickups included as new items on our list, but which the IRS didn't pick up (no pun intended!), should not constitute a continuing difference between our respective lists once the IRS incorporates 1997 models into its frame of reference.

OLDSMOBILE BRAVADA: The IRS treated the Olds Bravada as a new item...and we did not. The Bravada skipped the entire 1995 model year and the 1996 model was introduced in October, 1995. The 1996 model retained the same wheelbase and model code as the 1994 model and the option packages appeared to be only slightly different. There were no major differences in engine, transmission, power equipment, brakes, etc.

The 1994 model was available through December 16, 1994 and the manufacturer's price list in effect on December 1, 1994 did reflect a price for that vehicle. Accordingly, we were unable to reach the conclusion that a 1996 Olds Bravada would be a new item under any of the three definitions of a new item in Rev. Proc. 92-79.

. . . .

If you'd like a complete copy of the IRS list, please give us a call. We'll be happy to mail it to you as part of our complimentary **Lookout** subscriber services.



HOW DOES YOUR OWN NEW ITEM LIST COMPARE?

Every CPA computing LIFO inflation indexes under the Alternative LIFO Method for Automobile Dealers is coming up with his or her own "new item" determinations, either directly or indirectly through the software being used in the computations. (See our disclaimer relative to QuickLIFO on page 1.)

Nobody will ever be able to "get it 100% right" the first time. It's just too darned complicated. As some of the foregoing discussions show, there are numerous problems involved with determining whether a specific item category is new or not. Some problems are technical, others relate to timing; some are simple, others are quite complex.

What is more important...to you as the CPA doing the calculations, to the dealer who is paying for them and to the IRS who will be reviewing them...is that your LIFO computations or software enable you to simply and cost-effectively identify, quantify and recalculate the consequence of a change in status from new item to continuing item—or vice versa—in the LIFO reserve computations.





DE FILIPPS'

LIFO LOOKOUT 1996

NEW ITEM REPORT

COMPARISON OF "UNOFFICIAL" NEW ITEM CATEGORY LISTS
LIFO LOOKOUT / SUPERLIFO™ AND INTERNAL REVENUE SERVICE / MOTOR VEHICLE INDUSTRY SPECIALIST

NEW AUTOMOBILES AND LIGHT-DUTY TRUCKS
INVOLVING MANUFACTURER MODEL YEARS 1995-1996-1997

LIFO LOOKOUT - NEW ITEMS LIST
FOR CALENDAR YEAR 1995 DEALERS

&

IRS MOTOR VEHICLE INDUSTRY
(DECEMBER, 1995 CALENDAR YEAR)

LEGEND / COMMENT CODE

D = 1995 MODEL INTRO CALENDAR 1995;
DISCONTINUED FOR 1996 MODEL YEAR
E = DIFFERENCE IN ENGINE
OP = OPTION PACKAGES
SSV = SPECIAL STATE VALUE
SV - A = ALASKA
SV - C = SPECIAL VALUE CALIFORNIA
SV - C = HAWAII
SV - MA = MASSACHUSETTS
SV - NY = NEW YORK
TIMING = TIMING DIFFERENCE: IRS RECEIVED INFORMATION LATER
DIFSC = INFORMATION SOURCE AVAILABLE TO IRS ONLY

NUMBER OF NEW ITEMS

	LIFO LOOKOUT NEW ITEM CATEGORY	IRS NEW ITEM CATEGORY
AUTOMOBILES	204	257
LIGHT-DUTY TRUCKS	148	159
TOTAL NEW ITEM CATEGORIES	352	416

COMPARISON OF "UNOFFICIAL" NEW ITEM CATEGORY LISTS
LIFO LOOKOUT / SUPERLIFO AND INTERNAL REVENUE SERVICE / MOTOR VEHICLE INDUSTRY

NEW AUTOMOBILES AND LIGHT-DUTY TRUCKS
INVOLVING MANUFACTURER MODEL YEARS 1995-1996-1997

10 March 1996

Vol. 6, No. 1



A Quarterly Update of LIFO - News, Views and Ideas

De Filippis' LIFO LOOKOUT

LIFO LOOKOUT - NEW ITEMS LIST FOR CALENDAR YEAR 1995 DEALERS				IRS' MOTOR VEHICLE INDUSTRY (DECEMBER, 1995 CALENDAR YEAR)				PAGE 1 OF 11		
MAKE	MODEL	BODY STYLE	MODEL CODE	YES	NO	BODY STYLE	COMMENT CODE	COMMENTS		
NEW AUTOMOBILES				NEW AUTOMOBILES						
ACURA	LEGEND	4-DR SEDAN SPECIAL ED AUTO	KA769	X						
		2-DR COUPE 5-SP	NA116	X						
	NSX	2-DR COUPE AUTO	NA126	X						
		2-DR COUPE 5-SP	NA118	X						
	NSX-T	2-DR COUPE AUTO	NA128	X						
		4-DR SEDAN 2.5	UA264	X						
	TL	4-DR SEDAN 2.5 PREM PKG.	UA265	X						
		4-DR SEDAN 3.2	UA364	X						
4-DR SEDAN 3.2 PREM PKG.		UA365	X							
AUDI	A4 SERIES	4-DR SEDAN	8D25S4	X						
			8D25SA	X		4-DR SEDAN AUTO	OP			
			8D25S5	X		4-DR SEDAN QUATTRO AWD 5-SP	OP			
			8D25SB	X		4-DR SEDAN QUATTRO AWD AUTO	OP			
	S6 SERIES	4-DR WAGON	4A5555	X						
			4A5555	X		4-DR WAGON (HAWAII ONLY)	SV-H			
BMW	3 SERIES	318TI 2-DR HATCHBACK 5-SP	30	X						
		318TIA 2-DR HATCHBACK AUTO	35	X						
		328i 4-DR SEDAN 5-SP	42	X						
		328IA 4-DR SEDAN AUTO	47	X						
		328iC 2-DR CONVERTIBLE 5-SP	31	X						
		328iCA 2-DR CONVERTIBLE AUTO	36	X						
		328iS 2-DR COUPE 5-SP	33	X						
		740iL 4-DR SEDAN AUTO	79	X						
	7 SERIES	750iL 4-DR SEDAN AUTO	76	X						
		850 CI 2-DR COUPE 5-SP	80		X			TIMING	'95 MODEL 3/1/95 INTRO	
	8 SERIES	850 CSI 2-DR COUPE 5-SP	85		X			TIMING	'95 MODEL 3/1/95 INTRO	
	BUICK	CENTURY		G35	X		4-DR WAGON V6 191 CID SFI (3.1L)	E		
			LESABRE	4-DR SEDAN CUSTOM	P69C		X		TIMING	'97 MODEL 12/4/95 INTRO
REGAL		4-DR SEDAN LIMITED	R69L		X		TIMING	'97 MODEL 12/4/95 INTRO		
				B57	X		2-DR COUPE CUSTOM CALIF. VALUE	SV-C		
			B19	X		4-DR SEDAN CUSTOM CALIF. VALUE	SV-C			
		2-DR COUPE GRAN SPORT	B57 GS		X		OP			
ROADMASTER SKYLARK			B57	X		2-DR COUPE GRAN SPORT CALIF. VAL	SV-C			
			R35	X		4-DR WAGON ESTATE COL. ED CA VAL	SV-C			
		2-DR COUPE CUSTOM	J37	X						
		2-DR COUPE CUSTOM FLEET	V37 FLEET		X		TIMING			
			J37	X		2-DR COUPE CUSTOM (SF) (CA)	SV-C			
			V37	X		2-DR COUPE CUSTOM (1SJ)	OP			
			V37	X		2-DR COUPE CUSTOM (1SK)	OP			
			V37	X		2-DR COUPE CUSTOM (GRAN SPORT 1SL)	OP			
			J37	X		2-DR COUPE CUSTOM (SG) CALIF. VALUE	SV-C			
			J37	X		2-DR COUPE CUSTOM GRAN SPORT CA VAL	SV-C			
		4-DR SEDAN CUSTOM	J69	X						
		4-DR SEDAN CUSTOM FLEET	V69 FLEET		X		TIMING			



LIFO LOOKOUT - NEW ITEMS LIST FOR CALENDAR YEAR 1995 DEALERS				IRS' MOTOR VEHICLE INDUSTRY (DECEMBER, 1995 CALENDAR YEAR)				PAGE 2 OF 11	
MAKE	MODEL	BODY STYLE	CODE	YES	NO	BODY STYLE	COMMENT CODE	COMMENTS	
BUICK	SKYLARK		J69	X		4-DR SEDAN CUSTOM (SF) (CA)	SV-C		
			V69	X		4-DR SEDAN CUSTOM (1SJ)	OP		
			V69	X		4-DR SEDAN CUSTOM (1SK)	OP		
			V69	X		4-DR SEDAN CUSTOM (GRAN SPORT 1SL)	OP		
CADILLAC	SEVILLE		6KS69	X		4-DR SEDAN SLS CALIF. VALUE	SV-C		
CHEVROLET/GEO	BERETTA	2-DR COUPE S.V.C...	LV37 SVC		X		SV-C		
		2-DR COUPE Z26 S.V.C.	1LW37 SVC		X		SV-C		
	CAMARO		1FP67	X		2-DR CONVERTIBLE V6 231 CID SFI (3.8L)	E		
		2-DR CONVERTIBLE RS	1FP67 RS	X					
	CAPRICE	2-DR COUPE RS	1FP87 RS	X					
		4-DR SEDAN CLASSIC W/1SA	1BL19		X		OP		
		4-DR SEDAN CLASSIC W/1SB	1BL19 SB		X		OP		
		4-DR SEDAN CLASSIC W/1SC	1BL19 SC		X		OP		
	CAVALIER	4-DR WAGON CLASSIC W/1SD	1BL35 SD		X		OP		
		2-DR CONVERTIBLE LS	1JF67		X		TIMING	'95 MODEL 1/3/95 INTRO	
			1JC37	X		2-DR COUPE (CA) 4CYL 134 CID SFI (2.2L)	SV-C		
		2-DR COUPE Z24	1JF37	X					
	GEO METRO		1JC69	X		4-DR SEDAN (CA) 4CYL 134 CID SFI (2.2L)	SV-C		
			1MR08	X		3-DR HATCHBACK (CA)	SV-C		
			1MR08	X		3-DR HATCHBACK LSI (CA)	SV-C		
			1MR69	X		4-DR SEDAN (CA)	SV-C		
			1MR69	X		4-DR SEDAN LSI (CA)	SV-C		
CHRYSLER	LUMINA	4-DR SEDAN FLEET	1WL69 FLEET		X		TIMING		
	SEBRING	2-DR CONVERTIBLE JX	JXCH27		X		TIMING	'96 MODEL 12/1/95 INTRO	
		2-DR CONVERTIBLE JXI	JXCP27		X		TIMING	'96 MODEL 12/1/95 INTRO	
		2-DR COUPE LX	FJCS22	X					
			FJCS22	X		2-DR COUPE LX (ALASKA ONLY)	SV-A		
		2-DR COUPE LXI	FJCP22	X					
DODGE	AVENGER		FJDH22	X		2-DR COUPE (EX. ALASKA)	TIMING	'95 MODEL 10/21/94 INTRO	
			FJDH22	X		2-DR COUPE (ALASKA)	SV-A	'95 MODEL 10/21/94 INTRO	
			FJDS22	X		2-DR COUPE ES (EX. ALASKA)	TIMING	'95 MODEL 10/21/94 INTRO	
			FJDS22	X		2-DR COUPE ES (ALASKA)	SV-A	'95 MODEL 10/21/94 INTRO	
	NEON	2-DR COUPE BASE	PLDL22	X					
			PLDL22	X		2-DR COUPE BASE COMPETITION	TIMING	'95 MODEL 8/5/94 INTRO	
FORD	MUSTANG	2-DR CONVERTIBLE COBRA	P46 COBRA	X					
			P45	X		2-DR CONVERTIBLE COBRA	D		
		2-DR COUPE COBRA	P47 COBRA	X					
			P42	X		2-DR COUPE COBRA	D		
	TAURUS		P42	X		2-DR COUPE GTS	D		
		4-DR SEDAN GL	P52	X					
		4-DR SEDAN LX	P53	X					
		4-DR WAGON GL	P57	X					
HONDA	ACCORD	4-DR SEDAN 25TH ANNIV. AUTO	CD568	X					
		4-DR SEDAN EX 2.7 AUTO	CE667	X					
		2-DR COUPE DX 5-SP	EJ612	X					
		2-DR COUPE DX AUTO	EJ622	X					
	CIVIC	2-DR COUPE EX 5-SP	EJ814	X					

**LIFO LOOKOUT - NEW ITEMS LIST
FOR CALENDAR YEAR 1995 DEALERS**

**IRS MOTOR VEHICLE INDUSTRY
(DECEMBER, 1995 CALENDAR YEAR)**

PAGE 3 OF 11

MAKE	MODEL	BODY STYLE	CODE	YES	NO	BODY STYLE	COMMENT CODE	COMMENTS
HONDA	CIVIC	2-DR COUPE EX AUTO	EJ824	X				
		2-DR COUPE EXA W/ABS 5-SP	EJ815	X				
		2-DR COUPE EXA W/ABS AUTO	EJ825	X				
		2-DR COUPE HX 5-SP	EJ712	X				
		3-DR HATCHBACK CX 5-SP	EJ632	X				
		3-DR HATCHBACK CX AUTO	EJ642	X				
		3-DR HATCHBACK DX 5-SP	EJ634	X				
		3-DR HATCHBACK DX AUTO	EJ644	X				
		4-DR SEDAN DX 5-SP	EJ652	X				
		4-DR SEDAN DX AUTO	EJ662	X				
		4-DR SEDAN EX 5-SP	EJ854	X				
		4-DR SEDAN EX AUTO	EJ864	X				
		4-DR SEDAN LX 5-SP	EJ650	X				
		4-DR SEDAN LX AUTO	EJ660	X				
		4-DR SEDAN LXA W/AC/ABS 5-SP	EJ659	X				
		4-DR SEDAN LXA W/AC/ABS AUTO	EJ669	X				
		4-DR SEDAN LXX W/AC 5-SP	EJ657	X				
		4-DR SEDAN LXX W/AC AUTO	EJ667	X				
	PRELUDE	2-DR COUPE SE 5-SP	BB217		X		TIMING	'95 MODEL 2/24/95 INTRO
		2-DR COUPE SE AUTO	BB227		X		TIMING	'95 MODEL 2/24/95 INTRO
HYUNDAI	ACCENT		12353	X		3-DR HATCHBACK COUPE 5-SP	DIFSC	
			12352	X		3-DR HATCHBACK COUPE AUTO	DIFSC	
	ELANTRA		40473	X		4-DR SEDAN SE 5-SP	DIFSC	
			40472	X		4-DR SEDAN SE AUTO	DIFSC	
INFINITI	I30	4-DR SEDAN CLOTH 5-SP	9505	X				
		4-DR SEDAN CLOTH AUTO	9501	X				
		4-DR SEDAN LEATHER AUTO	9581	X				
		4-DR TOURING SEDAN 5-SP	9575	X				
		4-DR TOURING SEDAN AUTO	9571	X				
JAGUAR	XJ	4-DR SEDAN VANDEN PLAS	XJ6 VDP	X				
		4-DR SEDAN XJ12	XJ12	X				
KIA	SEPHIA	4-DR SEDAN GS 1.8 5-SP	13241	X				
		4-DR SEDAN GS 1.8 AUTO	13242	X				
			12121	X		4-DR SEDAN LS 1.6 5-SP CA	SV-C	
			12122	X		4-DR SEDAN LS 1.6 AUTO CA	SV-C	
		4-DR SEDAN LS 1.8 5-SP	13221	X				
		4-DR SEDAN LS 1.8 AUTO	13222	X				
			12101	X		4-DR SEDAN RS 1.6 5-SP CA	SV-C	
			12102	X		4-DR SEDAN RS 1.6 AUTO CA	SV-C	
		4-DR SEDAN RS 1.6 5-SP CA	12201	X				
		4-DR SEDAN RS 1.6 AUTO CA	12202	X				
		4-DR SEDAN RS 1.8 5-SP	13201	X				
		4-DR SEDAN RS 1.8 AUTO	13202	X				
LEXUS	GS 300		9300C	X		LUXURY SPORT SEDAN W/TOURING	DIFSC	
			9310C	X		LUXURY SPORT SEDAN W/TOURING CA	DIFSC	
LINCOLN	CONTINENTAL MARK VIII		M97	X		4-DR SEDAN V8 28A CID 32V SFI (4.6L)	E	
			M91	X		2-DR COUPE (CA)	SV-C	
MAZDA	MX-6	2-DR COUPE LS	MX6LS	X				

12 March 1996

Vol. 6, No. 1



A Quarterly Update of LIFO - News, Views and Ideas

De Filippis' LIFO LOOKOUT

**LIFO LOOKOUT - NEW ITEMS LIST
FOR CALENDAR YEAR 1995 DEALERS**

**IRS MOTOR VEHICLE INDUSTRY
(DECEMBER, 1995 CALENDAR YEAR)**

PAGE 4 OF 11

MAKE	MODEL	BODY STYLE	CODE	YES	NO	BODY STYLE	COMMENT CODE	COMMENTS
MAZDA	MX-6		MX6LSA	X		2-DR COUPE LS AUTO	OP	
MERCEDES	C CLASS E CLASS	C36 4-DR SEDAN AUTO E 300 4-DR SEDAN DIESEL AUTO E320 4-DR SEDAN AUTO	C36AMG E300DW E320W	X X X	X		TIMING	'95 MODEL 2/1/95 INTRO
MERCURY	SABLE	4-DR SEDAN GS 4-DR SEDAN LS 4-DR WAGON GS 4-DR WAGON LS	M50 M53 M55 M58	X X X X				
MITSUBISHI	3000GT	SPYDER SL AUTO SPYDER VR-4 6-SP	GT28-P A GT28-P GT28-T M GT28-T	X X X X		SPYDER SL AUTO (ALASKA ONLY) SPYDER VR-4 6-SP (ALASKA ONLY)	SV-A SV-A TIMING	'95 MODEL 4/10/95 INTRO
NISSAN	200SX	2-DR COUPE 5-SP 2-DR COUPE AUTO 2-DR COUPE SE 5-SP 2-DR COUPE SE AUTO 2-DR COUPE SE-R 5-SP 2-DR COUPE SE-R AUTO	0115 0111 0125 0121 0145 0141	X X X X X X				
	SENTRA	4-DR SEDAN 5-SP 4-DR SEDAN GLE 5-SP 4-DR SEDAN GLE AUTO 4-DR SEDAN GXE 5-SP 4-DR SEDAN GXE AUTO 4-DR SEDAN XE 5-SP 4-DR SEDAN XE AUTO	4205 4255 4251 4225 4221 4215 4211	X X X X X X X				
OLDSMOBILE	ACHIEVA	2-DR COUPE SC - FLEET 2-DR COUPE SC - SERIES I 2-DR COUPE SC - SERIES II 2-DR COUPE SC - SERIES III 4-DR SEDAN SL - FLEET 4-DR SEDAN SL - SERIES II 4-DR SEDAN SL - SERIES III	L37 1SB-F L37 1SA L37 1SB L37 1SC L69 1SB-F L69 1SB L69 1SC	X X X X X X X				
	AURORA CIERA	4-DR SEDAN 4-DR SEDAN SL - FLEET 4-DR SEDAN SL - SERIES I 4-DR SEDAN SL - SERIES II 4-DR WAGON SL 4-DR WAGON SL - FLEET	R29 1SA J69 1SA-F J69 1SB J69 1SC J35 1SB J35 1SA-F		X X X X X		OP OP OP OP OP	
	CUTLASS SUPREME	2-DR COUPE SL - FLEET 2-DR COUPE SL - SERIES I 2-DR COUPE SL - SERIES II 2-DR COUPE SL - SERIES III 2-DR COUPE SL - SERIES IV 4-DR SEDAN SL - FLEET 4-DR SEDAN SL - SERIES I 4-DR SEDAN SL - SERIES II 4-DR SEDAN SL - SERIES III 4-DR SEDAN SL - SERIES IV	H47 1SB-F H47 1SA H47 1SB H47 1SC H47 1SD H69 1SB-F H69 1SA H69 1SB H69 1SC H69 1SD	X X X X X X X X X X X	X X X X X		OP OP OP OP OP OP OP OP OP OP	
	EIGHTY EIGHT	4-DR SEDAN	N69 1SA	X	X		OP	





LIFO LOOKOUT - NEW ITEMS LIST FOR CALENDAR YEAR 1995 DEALERS				IRS' MOTOR VEHICLE INDUSTRY (DECEMBER, 1995 CALENDAR YEAR)				PAGE 5 OF 11	
MAKE	MODEL	BODY STYLE	CODE	YES	NO	BODY STYLE	COMMENT CODE	COMMENTS	
OLDSMOBILE	EIGHTY EIGHT	4-DR SEDAN - FLEET	N69 1SA-F	X					
		4-DR SEDAN LS	N69 1SB	X					
	LSS NINETY EIGHT	4-DR SEDAN	Y69 1SA		X		OP		
		4-DR REG. ELITE - SERIES II C.S.E...	CX69 R7CCA		X		OP		
		4-DR REGENCY ELITE-SERIES I	X69 1SB		X		OP		
		4-DR REGENCY ELITE-SERIES II	X69 1SC		X		OP		
PLYMOUTH	BREEZE NEON	4-DR SEDAN	JAPH41		X		TIMING		
		2-DR COUPE BASE	PLPL22	X					
			PLPL22	X		2-DR COUPE BASE COMPETITION	OP		
PONTIAC	BONNEVILLE FIREBIRD		X69S	X		4-DR SEDAN (W/OPTION GROUP 1SH) CA	SV-C		
			S87T	X		2-DR COUPE	E		
			S87T	X		2-DR COUPE (1SG) CALIF. VALUE	SV-C		
			S87T	X		2-DR COUPE (1SH) CALIF. VALUE	SV-C		
			S87S	X		2-DR COUPE HATCHBACK (1SG) CALIF. VAL	SV-C		
			S87S	X		2-DR COUPE HATCHBACK (1SH) CALIF. VAL	SV-C		
			W37T	X		2-DR COUPE GT 4CYL 146 CID 16V SFI (2.4L)	E		
			W37T	X		2-DR COUPE GT V6 191 CID SFI (3.1L) CA. VAL	SV-C		
			E37T	X		2-DR COUPE SE 4CYL 146 CID 16V SFI (2.4L)	E		
			E37T	X		2-DR COUPE SE 4CYL (2.4L) CA	SV-C		
	GRAND AM		E37T	X		2-DR COUPE SE V6 (3.1L) CA	SV-C		
			W69T	X		4-DR SEDAN GT 4CYL 146 CID 16V SFI (2.4L)	E		
			W69T	X		4-DR SEDAN GT V6 191 CID SFI (3.1L) CA. VAL	SV-C		
			E69T	X		4-DR SEDAN SE 4CYL 146 CID 16V SFI (2.4L)	E		
			E69T	X		4-DR SEDAN SE 4CYL (2.4L) CA	SV-C		
			E69T	X		4-DR SEDAN SE V6 (3.1L) CA	SV-C		
			B67S	X					
			B37S	X		2-DR COUPE SE CALIF. VALUE	SV-C		
			B69S	X		4-DR SEDAN SE CALIF. VALUE	SV-C		
			D37S	X					
PORSCHE	911 CARRERA SERIES	2-DR 4S COUPE 5-SP	993140	X					
		2-DR COUPE TARGA 6-SP	993410	X					
		2-DR COUPE TARGA TIPTRONIC	993410 TIP	X					
		2-DR COUPE TURBO	993770	X					
ROLLS ROYCE	BENTLEY	AZURE	BENTLEY BA		X		TIMING		
SAAB	900 SERIES	5-DR HATCHBACK SE TURBO TM	955	X					
		5-DR HATCHBACK SE V6 AUTO	975	X					
			905M	X		5-DR H/B SE 5-SP W/CHILD SEAT	OP		
			905M	X		5-DR H/B SE 5-SP W/LEATH. & CHILD SEAT	OP		
			905A	X		5-DR H/B SE AUTO W/CHILD SEAT	OP		
			905A	X		5-DR H/B SE AUTO W/LEATH. & CHILD SEAT	OP		
			905MSR	X		5-DR H/B SE 5-SP W/SUNROOF & CHILD ST	OP		
			905MSR	X		5-DR H/B SE 5-SP W/SR, LEATH & CHILD ST	OP		
			905ASR	X		5-DR H/B SE AUTO W/SUNROOF & CHILD ST	OP		
			905ASR	X		5-DR H/B SE AUTO W/SR, LEATH & CHILD ST	OP		
	9000 SERIES		952AT	X		2-DR CONVERT SE TURBO AUTO	OP		
			953ASR	X		3-DR COUPE SE TURBO AUTO W/SUNROOF	OP		
			955MSR	X		5-DR H/B SE TURBO 5-SP W/SR & CHILD ST	OP		
			955ASR	X		5-DR H/B SE TURBO AUTO W/SUNROOF	OP		
			955ASR	X		5-DR H/B SE TURBO AUTO W/SR & CHILD ST	OP		
			015M	X		5-DR H/B CS 5-SP W/LTHR & PWR SEATS	OP		



LIFO LOOKOUT - NEW ITEMS LIST FOR CALENDAR YEAR 1995 DEALERS				IRS MOTOR VEHICLE INDUSTRY (DECEMBER, 1995 CALENDAR YEAR)				PAGE 6 OF 11	
MAKE	MODEL	BODY STYLE	CODE	YES	NO	BODY STYLE	COMMENT CODE	COMMENTS	
SAAB	9000 SERIES		015A	X		5-DR H/B CS AUTO W/LTHR & PWR SEATS	OP		
			015MSR	X		5-DR H/B SE 5-SP W/SR/LTHR/PWR SEATS	OP		
			015ASR	X		5-DR H/B SE AUTO W/SR/LTHR/PWR SEATS	OP		
SATURN	SL	4-DR SEDAN 5-SP	ZZF69	X					
	SL1	4-DR SEDAN 5-SP	ZZG69	X					
	SL1	4-DR SEDAN AUTO	ZZH69	X					
	SL2	4-DR TOURING SEDAN 5-SP	ZZJ69	X					
	SL2	4-DR TOURING SEDAN AUTO	ZZK69	X					
	SW1	4-DR WAGON 5-SP	ZZG35	X					
	SW1	4-DR WAGON AUTO	ZZH35	X					
	SW2	4-DR WAGON 5-SP	ZZJ35	X					
	SW2	4-DR WAGON AUTO	ZZK35	X					
SUBARU	IMPREZA	2-DR COUPE BRIGHTON AWD 5-SP	MR		X		TIMING	NAMED BRIGHTON FOR 1996	
		2-DR COUPE LX AWD 5-SP	MW	X					
	LEGACY	4-DR SEDAN GT AWD AUTO	AR	X					
		4-DR SEDAN L ABS/AWD 5-SP	AL	X					
		4-DR WAGON GT AWD AUTO	BU	X					
		4-DR WAGON OUTBACK C/PK AWD 5-SP	BY	X					
			BW	X		4-DR WAGON OUTBACK OW 5-SP	DIFSC		
		4-DR WAGON OUTBACK C/PK AWD AUTO	BZ	X					
SUZUKI	ESTEEM		BX	X		4-DR WAGON OUTBACK OW AUTO	DIFSC		
		4-DR SEDAN GL 5-SP	SGL632	X					
		4-DR SEDAN GL AUTO	SGL642	X					
		4-DR SEDAN GLX 5-SP	SGL635	X					
		4-DR SEDAN GLX AUTO	SGL645	X					
		4-DR SEDAN GLX PLUS 5-SP	SGL63F	X					
		4-DR SEDAN GLX PLUS AUTO	SGL64F	X					
TOYOTA	PASEO	2-DR COUPE 5-SP	1525	X					
		2-DR COUPE AUTO	1526	X					
	SUPRA	3-DR L/B SE 5-SP	2391	X					
		3-DR L/B SE AUTO	2390	X					
VOLKSWAGEN	GOLF	2-DR HATCHBACK GTI 2.0L 5-SP	1H15Q4	X					
		2-DR HATCHBACK GTI 2.0L AUTO	1H15Q3	X					
		4-DR CELEBRATION ED 5-SP	1H10Q4	X					
		4-DR CELEBRATION ED AUTO	1H10Q3	X					
		4-DR HATCHBACK CITY 5-SP	1H11Q4	X					
		4-DR CELEBRATION ED 5-SP	1H24Q4 CE	X					
	JETTA	4-DR CELEBRATION ED AUTO	1H24Q3 CE	X					
		4-DR HATCHBACK CITY 5-SP	1H21Q4	X					
		4-DR SEDAN GLS 4 CYL 5-SP	3A23G5	X					
	PASSAT	4-DR SEDAN GLS 4 CYL AUTO	3A23G8	X					
		4-DR SEDAN TDI 5-SP	3A23Y5	X					
		4-DR SEDAN TDI AUTO	3A23Y8		X		TIMING		
		4-DR WAGON TDI 5-SP	3A53Y5	X					
		4-DR WAGON TDI AUTO	3A53Y8		X		TIMING		
VOLVO	850 SERIES	4-DR SEDAN 5-SP	854 O	X					
		4-DR SEDAN AUTO	854 A	X					
			854GTO	X		4-DR SEDAN LEVEL II 5-SP	E		
			854GTA	X		4-DR SEDAN LEVEL II AUTO	E		



LIFO LOOKOUT - NEW ITEMS LIST FOR CALENDAR YEAR 1995 DEALERS				IRS' MOTOR VEHICLE INDUSTRY (DECEMBER, 1995 CALENDAR YEAR)				PAGE 7 OF 11	
MAKE	MODEL	BODY STYLE	CODE	YES	NO	BODY STYLE	COMMENT CODE	COMMENTS	
VOLVO	850 SERIES	4-DR SEDAN LIMITED ED AUTO	854T5A	X					
		4-DR SEDAN LTD ED AUTO	854 TLA	X					
		5-DR WAGON 5-SP	855 O	X					
		5-DR WAGON AUTO	855 A	X					
		5-DR WAGON LIMITED ED AUTO	855T5A	X					
		5-DR WAGON LTD ED AUTO	855 TLA	X					
			855GTO	X		5-DR WAGON LEVEL II 5-SP	E		
			855GTA	X		5-DR WAGON LEVEL II AUTO	E		
		NEW LIGHT-DUTY TRUCKS				NEW LIGHT-DUTY TRUCKS			
ACURA	SLX	4-DR AUTO	9C326	X					
		4-DR AUTO W/PREMIUM PKG	9C327	X					
CHEVROLET/GEO	ASTRO VAN		CM11006	X		PASSENGER 2WD VAN CALIF. MARKETING	SV-C		
		C-K PICKUP	CC20903	X		2500 2WD REG. CAB FLEETSIDE 8 FT.	E		
		CHEVY VAN	CG31605		X				
		G30 EXT 146	CG31305	X		G30 125 WB W/O UPFITTER PKG YF7	E		
			CG31305	X		G30 125 WB W/UPFITTER PKG YF7	E		
	GEO TRACKER	2-DR 2WD CONVERTIBLE LSI	CE10367 LSI	X					
		4-DR 2WD HARDTOP	CE10305	X					
		4-DR 2WD HARDTOP LSI	CE10305 LSI	X					
		4-DR 4WD HARDTOP	CJ10305	X					
		4-DR 4WD HARDTOP LSI	CJ10305 LSI	X					
	S10 PICKUP		CT10603	X		4WD REG CAB LS SPORTSIDE	DIFSC		
			CT10953	X		4WD EXT CAB LS SPORTSIDE	DIFSC		
	TAHOE	2-DR 2WD	CC10516	X					
		4-DR 2WD	CC10706	X					
		4-DR 4WD	CK10706	X					
CHRYSLER	TOWN & COUNTRY	MPV BASE FWD 119 WB	NSYP53	X					
		MPV LX FWD 113 WB	NSYP52	X					
		MPV LXI FWD 119 WB	NSYS53	X					
DODGE	CARAVAN	CARAVAN BASE	NSKL52 B	X					
		CARAVAN ES	NSKP52 ES	X					
		CARAVAN LE	NSKP52 LE	X					
		CARAVAN SE	NSKH52 SE	X					
		GRAND CARAVAN BASE	NSKH53 B	X					
		GRAND CARAVAN ES	NSKP53 ES	X					
		GRAND CARAVAN LE	NSKP53 LE	X					
		GRAND CARAVAN SE	NSKH53 SE	X					
	DAKOTA		AN1L62	X		2WD REG CAB SWEPTLINE 8FT.	E		
	RAM PICKUP	2WD BR2500 CLUB CAB SWB 139	BR2L31		X		TIMING		
		4WD BR2500 CLUB CAB SWB 139	BR7L31		X		TIMING		
FORD	CUTAWAY VAN	COMM STRIPPED CHASSIS SRW 158 WB	E39 SRW158		X		TIMING		
			E39	X		COMM STRIPPED CHASSIS 138	E		
			E39	X		COMM STRIPPED CHASSIS DRW 176	E		
			E39	X		COMM STRIPPED CHASSIS SRW 124	E		
			E47	X		COMM STRIPPED CHASSIS SUPER DUTY 158	E		
			E47	X		COMM STRIPPED CHASSIS SUPER DUTY 176	E		
			E40	X		RV CUTAWAY SUPER DUTY DRW 158	E		
			E40	X		RV CUTAWAY SUPER DUTY DRW 176	E		

LIFO LOOKOUT - NEW ITEMS LIST
FOR CALENDAR YEAR 1995 DEALERSIRS MOTOR VEHICLE INDUSTRY
(DECEMBER, 1995 CALENDAR YEAR)

PAGE 8 OF 11

MAKE	MODEL	BODY STYLE	CODE	YES	NO	BODY STYLE	COMMENT CODE	COMMENTS
FORD	EXPLORER		U22	X		2WD UTILITY 2-DR XL	TIMING	'95 MODEL 12/8/94 INTRO
			U32	X		2WD UTILITY 4-DR XL	TIMING	
			U22	X		2WD SPORT UTILITY 2-DR	TIMING	
			U32	X		2WD UTILITY 4-DR XLT	TIMING	
			U32	X		2WD UTILITY 4-DR EDDIE BAUER	TIMING	
			U32	X		2WD UTILITY 4-DR LIMITED	TIMING	
			U24	X		4WD UTILITY 2-DR XL	TIMING	
			U34	X		4WD UTILITY 4-DR XL	TIMING	
			U24	X		4WD SPORT UTILITY 2-DR	TIMING	
			U34	X		4WD UTILITY 4-DR XLT	TIMING	
			U24	X		4WD EXPEDITION UTILITY 2-DR	TIMING	
			U34	X		4WD UTILITY 4-DR EDDIE BAUER	TIMING	
			U34	X		4WD UTILITY 4-DR LIMITED	TIMING	
			F37	X		2WD F350 REG CAB DRW 137		
			F37	X		2WD F350 REG CAB DRW 161		
	F SERIES CAB & CHASSIS							
	F SERIES PICKUP	4X2 F250 CREW CAB HD 152	W25 HD152	X				
			F25	X		4X2 F250 HD REG CAB 133	E	
		4X2 F250 SUPERCAB HD 139	X25 HD139	X				
		4X2 F350 REG CAB SRW 133	F35 133	X				
	F150 PICKUP	4X4 F250 CREW CAB HD 152	W26	X				
		4X4 F250 SUPERCAB HD 139	X26 HD139	X				
		4X2 FLARESIDE LARIAT SWB	F07 LSWB		X		TIMING	'97 MODEL 11/30/95 INTRO
		4X2 FLARESIDE XL SWB	F07 XLSWB		X		TIMING	
		4X2 FLARESIDE XLT SWB	F07 XLT SWB		X		TIMING	
		4X2 STYLESIDE LARIAT LWB	F17 LLWB		X		TIMING	
		4X2 STYLESIDE LARIAT SWB	F17 LSWB		X		TIMING	
		4X2 STYLESIDE LWB	F17 LWB		X		TIMING	
		4X2 STYLESIDE SWB	F17 SWB		X		TIMING	
		4X2 STYLESIDE XL LWB	F17 XLLWB		X		TIMING	
		4X2 STYLESIDE XL SWB	F17 XLSWB		X		TIMING	
		4X2 STYLESIDE XLT LWB	F17 XLT LWB		X		TIMING	
		4X2 STYLESIDE XLT SWB	F17 XLT SWB		X		TIMING	
		4X2 SUPERCAB FLARESIDE LARIAT SWB	X07 LSWB		X		TIMING	
		4X2 SUPERCAB FLARESIDE XL SWB	X07 XLSWB		X		TIMING	
		4X2 SUPERCAB FLARESIDE XLT SWB	X07 XLT SWB		X		TIMING	
		4X2 SUPERCAB STYLESIDE LARIAT LWB	X17 LLWB		X		TIMING	
		4X2 SUPERCAB STYLESIDE LARIAT SWB	X17 LSWB		X		TIMING	
		4X2 SUPERCAB STYLESIDE LWB	X17 LWB		X		TIMING	
		4X2 SUPERCAB STYLESIDE SWB	X17 SWB		X		TIMING	
		4X2 SUPERCAB STYLESIDE XL LWB	X17 XLLWB		X		TIMING	
		4X2 SUPERCAB STYLESIDE XL SWB	X17 XLSWB		X		TIMING	
		4X2 SUPERCAB STYLESIDE XLT LWB	X17 XLT LWB		X		TIMING	
		4X2 SUPERCAB STYLESIDE XLT SWB	X17 XLT SWB		X		TIMING	
		4X4 FLARESIDE LARIAT SWB	F08 LSWB		X		TIMING	
		4X4 FLARESIDE XL SWB	F08 XLSWB		X		TIMING	
		4X4 FLARESIDE XLT SWB	F08 XLT SWB		X		TIMING	
		4X4 STYLESIDE LARIAT LWB	F18 LLWB		X		TIMING	
		4X4 STYLESIDE LARIAT SWB	F18 LSWB		X		TIMING	
		4X4 STYLESIDE LWB	F18 LWB		X		TIMING	
		4X4 STYLESIDE SWB	F18 SWB		X		TIMING	
		4X4 STYLESIDE XL LWB	F18 XLLWB		X		TIMING	
		4X4 STYLESIDE XL SWB	F18 XLSWB		X		TIMING	
		4X4 STYLESIDE XLT LWB	F18 XLT LWB		X		TIMING	
		4X4 STYLESIDE XLT SWB	F18 XLT SWB		X		TIMING	
		4X4 SUPERCAB FLARESIDE LARIAT SWB	X08 LSWB		X		TIMING	



LIFO LOOKOUT - NEW ITEMS LIST FOR CALENDAR YEAR 1995 DEALERS				IRS MOTOR VEHICLE INDUSTRY (DECEMBER, 1995 CALENDAR YEAR)				PAGE 9 OF 11	
MAKE	MODEL	BODY STYLE	CODE	YES	NO	BODY STYLE	COMMENT CODE	COMMENTS	
FORD	F150 PICKUP	4X4 SUPERCAB FLARESIDE XL SWB	X08 XLSWB		X		TIMING	'97 MODEL 11/30/95 INTRO	
		4X4 SUPERCAB FLARESIDE XLT SWB	X08 XLTSWB		X		TIMING		
		4X4 SUPERCAB STYLESIDE LARIAT LWB	X18 LLWB		X		TIMING		
		4X4 SUPERCAB STYLESIDE LARIAT SWB	X18 LSWB		X		TIMING		
		4X4 SUPERCAB STYLESIDE LWB	X18 LWB		X		TIMING		
		4X4 SUPERCAB STYLESIDE SWB	X18 SWB		X		TIMING		
		4X4 SUPERCAB STYLESIDE XL LWB	X18 XLLWB		X		TIMING		
		4X4 SUPERCAB STYLESIDE XL SWB	X18 XLSWB		X		TIMING		
		4X4 SUPERCAB STYLESIDE XLT LWB	X18 XLTLWB		X		TIMING		
		4X4 SUPERCAB STYLESIDE XLT SWB	X18 XLTSWB		X		TIMING		
	RANGER	R11	X		4WD REG CAB STYLESIDE XLT 108	E			
	WINDSTAR	R11	X		4WD REG CAB STYLESIDE XLT 114	E			
		A51	X		3-DR WAGON GL	E			
GMC TRUCKS	SAFARI SIERRA		TM11006	X		PASSENGER EXT VAN XT 2WD CALIF. VALUE	SV-C		
			TC10703	X		1500 2WD REG CAB SL 117.5 CALIF. VALUE	SV-C		
			TC10903	X		1500 2WD REG CAB SL 131.5 CALIF. VALUE	SV-C		
			TC10753	X		1500 2WD CLUB COUPE 141.5 CALIF. VALUE	SV-C		
	SONOMA		TC20903	X		2500 2WD REG CAB 8FT.	E		
			TS10653	X		2WD CLUB COUPE SLS V6 CALIF. VALUE	SV-C		
			TS10653	X		2WD CLUB COUPE SLS 4CYL CALIF. VALUE	SV-C		
	VANDURA		TG31305	X		G3500 125 W/STANDARD PKG.	E		
			TG30305	X		G3500 125 W/RV CONVERSION GROUP	E		
	YUKON	2-DR 2WD YUKON 111.5	C10516	X					
		4-DR 2WD YUKON 117.5	C10706	X					
		4-DR 4WD YUKON 117.5	K10706	X					
	HONDA	PASSPORT 4X2	4-DR DX 5-SP	9B114	X				
4-DR EX AUTO			9B227	X					
4-DR LX 5-SP			9B214	X					
4-DR LX AUTO			9B224	X					
PASSPORT 4X4		4-DR EX W/16" TIRES 5-SP	9B317	X					
		4-DR EX W/16" TIRES AUTO	9B327	X					
		4-DR LX 5-SP	9B314	X					
		4-DR LX AUTO	9B324	X					
		4-DR LX W/16" TIRES 5-SP	9B315	X					
		4-DR LX W/16" TIRES AUTO	9B325	X					
ISUZU		RODEO	4X2 4-DR 5-SP (4 CYL)	P45	X				
			4X2 4-DR LS V6 AUTO	R64	X				
			4X2 4-DR S V-6 5-SP	R45	X				
	4X2 4-DR S V-6 AUTO		R44	X					
	4X4 4-DR LS V-6 5-SP		V65	X					
	4X4 4-DR LS V-6 AUTO		V64	X					
	4X4 4-DR S V-6 5-SP		V45	X					
	4X4 4-DR S V-6 AUTO		V44	X					
	TROOPER	4-DR LIMITED AUTO	M74	X					
		4-DR SE AUTO	M54	X					
			L45	X		4-DR WAGON S V6 5-SP	E		
			L44	X		4-DR WAGON S V6 AUTO	E		
			M64	X		4-DR WAGON LS V6 AUTO	E		
		L05	X		4-DR SPORT UTILITY S 4WD 5-SP	E			
		M54	X		4-DR WAGON SE V6 AUTO	TIMING			
							'95 MODEL 7/1/95 INTRO		

LIFO LOOKOUT - NEW ITEMS LIST
FOR CALENDAR YEAR 1995 DEALERSIRS MOTOR VEHICLE INDUSTRY
(DECEMBER, 1995 CALENDAR YEAR)

PAGE 10 OF 11

MAKE	MODEL	BODY STYLE	CODE	YES	NO	BODY STYLE	COMMENT CODE	COMMENTS
JEEP	GRAND CHEROKEE		XJTL74 XJL74	X X		4-DR 2WD WAGON LAREDO 4-DR 4WD WAGON LAREDO	E E	
KIA	SPORTAGE	4X2 4-DR SOHC 5-SP 4X4 4-DR DOHC 5-SP 4X4 4-DR DOHC AUTO 4X4 4-DR DOHC EX 5-SP 4X4 4-DR DOHC EX AUTO	41221 42421 42422 42441 42442 41421 41441	X X X X X X X				
						4X4 5-DR SPORT UTILITY 4X4 5-DR SPORT UTILITY EX	TIMING TIMING	
LAND ROVER / RANGE ROVER	DISCOVERY	4-DR HARDTOP 4WD SD AUTO 4-DR HARDTOP 4WD SD AUTO W/LEATH 4-DR HARDTOP 4WD SE AUTO 4-DR HARDTOP 4WD SE7 5-SP 4-DR HARDTOP 4WD SE7 AUTO	SDVZ A SDVZ L/A SDVZ SEA SDVZ SE7M SDVZ SE7A	X X X X X				
	RANGE ROVER	4-DR HARDTOP 4WD 4.0 SE 4-DR HARDTOP 4WD 4.6 HSE	SXLA SXLA HSE	X X				
MAZDA	MPV	2WD WAGON DX 2WD WAGON ES 2WD WAGON LX 4WD WAGON ES 4WD WAGON LX	LV522 DX LV522 ES LV522 LX LV523 ES LV523 LX		X X X X X		TIMING TIMING TIMING TIMING TIMING	
	PICKUP	4X2 B2300 CAB PLUS SE 5-SP 4X2 B2300 LONG BED 5-SP 4X2 B3000 CAB PLUS SE 5-SP 4X2 B4000 CAB PLUS LE 5-SP 4X4 B2300 SHORT BED 5-SP 4X4 B4000 CAB PLUS LE 5-SP	B23CSEM B23SSE2A B23LBSM B30CSEM B40CLEM B2XSBSM B4XCLEM	X X X		4X2 B2300 CAB PLUS SE AUTO	TIMING TIMING TIMING TIMING TIMING	'95 MODEL 1/3/95 INTRO '95 MODEL 1/3/95 INTRO '95 MODEL 1/3/95 INTRO
MERCEDES-BENZ	GELAENDEWAGEN		463	X		G320 5-DR WAGON	DIFSC	
OLDSMOBILE	BRAVADA SILHOUETTE	MINIVAN - SERIES I MINIVAN - SERIES II	V06TT M06 1SB M06 1SC	X X X		4-DR SPORT UTILITY	TIMING	
PLYMOUTH	GRAND VOYAGER VOYAGER	MPV BASE FWD MPV SE FWD MPV BASE FWD MPV SE FWD	NSHL53 NSHH53 SE NSHL52 NSHH52	X X X X				
PONTIAC	TRANS SPORT		M06T M06T	X X		3-DR WAGON SE 3-DR WAGON SE CALIF. VALUE	E SV-C	
SUZUKI	SIDEKICK	4-DR 4WD HARDTOP SPORT JLX 5-SP 4-DR 4WD HARDTOP SPORT JLX AUTO 4-DR 4WD HARDTOP SPORT JX 5-SP 4-DR 4WD HARDTOP SPORT JX AUTO	LRL77T LRL78T LRL77S LRL78S FCE62AS FCE65AS FCE62CS FCE65CS LTL66AS	X X X X X X X X X		2-DR 2WD SOFT TOP JS LIMITED ED 5-SP 2-DR 2WD SOFT TOP JS LIMITED ED AUTO 2-DR 2WD SOFT TOP JS LTD ED 5-SP CA/MA 2-DR 2WD SOFT TOP JS LTD ED AUTO CA/MA 4-DR 2WD HARDTOP JS LIMITED ED. 5-SP	E E SV-C SV-C E	





LIFO LOOKOUT - NEW ITEMS LIST FOR CALENDAR YEAR 1995 DEALERS					IRS' MOTOR VEHICLE INDUSTRY (DECEMBER, 1995 CALENDAR YEAR)			PAGE 11 OF 11	
MAKE	MODEL	BODY STYLE	CODE	YES	NO	BODY STYLE	COMMENT CODE	COMMENTS	
SUZUKI	SIDEKICK		LTL69AS	X		4-DR 2WD HARDTOP JS LIMITED ED. AUTO	E		
			FAE62AS	X		2-DR 4WD SOFT TOP JX LIMITED ED 5-SP	E		
			FAE65AS	X		2-DR 4WD SOFT TOP JX LIMITED ED AUTO	E		
			LPL66AS	X		4-DR 4WD HARDTOP JX LIMITED ED 5-SP	E		
			LPL69AS	X		4-DR 4WD HARDTOP JX LIMITED ED AUTO	E		
			LPL66BS	X		4-DR 4WD HARDTOP JLX LIMITED ED 5-SP	E		
			LPL69BS	X		4-DR 4WD HARDTOP JLX LIMITED ED AUTO	E		
			LCC66T	X					
			LAC66T	X					
			LAC69T	X					
TOYOTA	TACOMA PICKUP	2WD 5-SP							
		4WD 5-SP							
		4WD AUTO							
		2WD REG CAB 5-SP	7100	X					
		2WD REG CAB AUTO	7102	X					
		2WD XTRACAB 5-SP	7113	X					
		2WD XTRACAB AUTO	7114	X					
		2WD XTRACAB V6 5-SP	7153	X					
		2WD XTRACAB V6 AUTO	7154	X					
		4WD REG CAB 5-SP	7503	X					
		4WD REG CAB AUTO	7504	X					
		4WD REG CAB V6 5-SP	7523	X					
		4WD XTRACAB 5-SP	7513	X					
		4WD XTRACAB AUTO	7514	X					
		4WD XTRACAB SR5 V6 5-SP	7557	X					
		4WD XTRACAB SR5 V6 AUTO	7558	X					
		4WD XTRACAB V6 5-SP	7553	X					
		4WD XTRACAB V6 AUTO	7554	X					

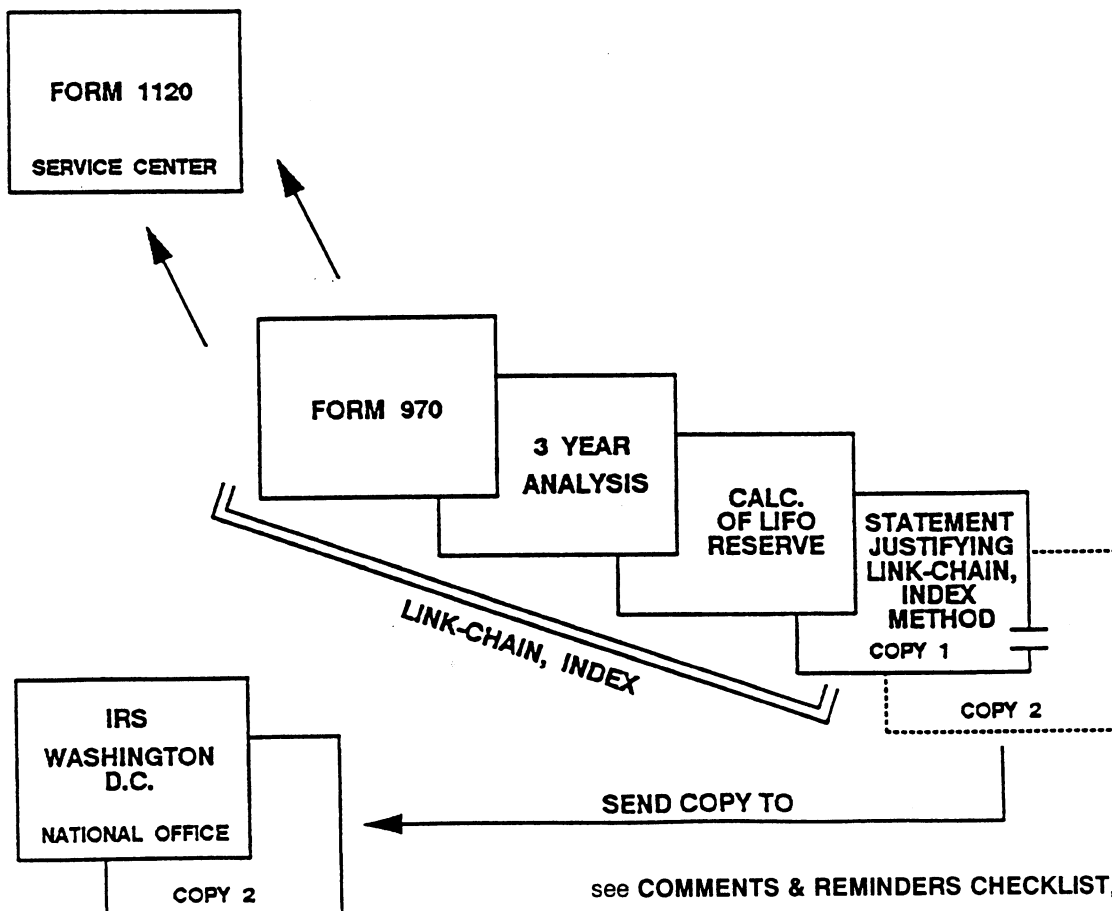
At the end of 1995, many CPAs and dealers decided to extend LIFO to their used vehicle inventories. Many considerations underlie this decision, including:

- The dealer has to give up the time-honored tradition of writing down used cars at year-end,
- The IRS has never published any official guidance on how used vehicle LIFO computations should be made or what constitutes an acceptable methodology,
- The Alternative LIFO Method in Revenue Procedure 92-79 cannot be employed for used vehicles because the Revenue Procedure specifically states that it is not applicable to used vehicle LIFO elections.

The December, 1994 **LIFO Lookout** article on LIFO for used vehicles includes various computational "suggestions." For those who decided to go ahead and elect LIFO for used vehicles, we offer a proforma "filing package" to assist in preparing your LIFO disclosures in the 1995 tax return.

TAX RETURN ATTACHMENTS WHEN EXTENDING LIFO TO USED VEHICLES

1. Form 970—completed and signed. Additional sheet(s) are usually needed because of limited space on the Form for responses to questions...required by Regulation Section 1.472-3(a).
2. Three year ending inventory analysis...required by Regulation Section 1.472-3(a).
3. **RECOMMENDED: BUT NOT REQUIRED:** Summary calculation and statement of LIFO layers (base and either (a) increment or (b) reduction-liquidation netted against that base). Although submission of this schedule is not required, this schedule is helpful to disclose the computational format/pattern that will be followed in subsequent years.
4. Statement describing computations and calculation of the index and justification for using the link-chain, index method...required by Regulation Section 1.472-8(e)(1).



see **COMMENTS & REMINDERS CHECKLIST**, page 26



Application To Use LIFO Inventory Method

▶ Attach to your tax return.

OMB No. 1545-0042

Name	Identifying number (See instructions)
Number, street, and room or suite no. (if a P.O. box, see instructions)	CHECK ONE: <input type="checkbox"/> First Election <input checked="" type="checkbox"/> Subsequent Election
City or town, state, and ZIP code	

Part I	Statement of Election	Yes	No
A	The taxpayer elects to adopt and use the LIFO inventory method provided by section 472. The taxpayer will use (or expand) the LIFO inventory method for the first tax year ending (month, day, year) ▶ 12/31/95 for the following goods (see instructions): <u>USED VEHICLES - NEW VEHICLES ALREADY ON LIFO</u>		
B	The taxpayer agrees as required by Regulations section 1.472-4, to make any adjustments that the District Director of Internal Revenue may require, on examination of the taxpayer's income tax return, to clearly reflect income for the years involved in the change to or from the LIFO inventory method or due to the use of the LIFO inventory method.		
C	Was the beginning inventory for the items specified in Item A above, valued at cost (as required by section 472(d)) for the first tax year this application applies? If "No," attach an explanation		X
D	Will inventory be taken at actual cost regardless of market value? If "No," attach an explanation	X	

Part II	Other Information	Yes	No
1	Nature of business ▶ <u>AUTOMOBILE DEALERSHIP - SALES & SERVICE</u>		
2	Inventory method used until now ▶ <u>LOWER OF COST OR MARKET FOR USED VEHICLES</u>		
3	Will any adjustment that resulted from the change to the LIFO method be included in income over a 3-year period? If "No," attach an explanation.	X	
4a	List goods subject to inventory that will not to be inventoried under the LIFO method. ▶ <u>PARTS AND ACCESSORIES AND ALL OTHER MISCELLANEOUS INVENTORIES</u>		
b	Were the goods specified in Item A, above, treated as acquired at the same time and at a unit cost equal to the actual cost of the total divided by the number of units on hand? If "No," attach explanation. <u>SPECIFIC IDENTIFICATION</u>		X
5a	Did you issue credit statements, or reports to shareholders, partners, other proprietors, or beneficiaries covering the first tax year to which this application relates?	X	
b	If "Yes," state to whom, and on what dates. ▶ <u>MANUFACTURER, CREDIT CORP</u>		
c	Show the inventory method used in determining income, profit, or loss in those statements. ▶ <u>LIFO FOR A ABOVE</u>		
6a	Check method used to figure the cost of the goods in the closing inventory over those in the opening inventory. (See instructions.) <input type="checkbox"/> Most recent purchases <input type="checkbox"/> Average cost of purchases during the year <input checked="" type="checkbox"/> Earliest acquisitions during the year <input checked="" type="checkbox"/> Other - Attach explanation <u>SPECIFIC IDENTIFICATION WHICH APPROXIMATES MOST RECENT PURCHASES</u>		
6b	The taxpayer selects the month of as the representative month to be used in selecting the index or indexes used to determine the current-year cost of the taxpayer's inventory pool(s) under Regulations section 1.472-8(e)(2)(ii) (see instructions). This applies only to taxpayers using the Inventory Price Index Computation Method.		
7	Method used in valuing LIFO inventories: <input type="checkbox"/> Unit method <input checked="" type="checkbox"/> Dollar-value method		
8	If you use pools, check the box that indicates the pooling method. List and describe the contents of each pool in an attached statement. <input checked="" type="checkbox"/> By line, type, or class of goods authorized by Regulations section 1.472-8(c) (retailer, wholesaler, jobber, or distributor) <input type="checkbox"/> Pooling method authorized by Regulations section 1.472-8(e)(3)(iv) (retailer, wholesaler, jobber, or distributor) <input type="checkbox"/> Natural business unit authorized by Regulations section 1.472-8(b)(1) (manufacturer or processor) <input type="checkbox"/> Multiple pools authorized by Regulations section 1.472-8(b)(3)(i) (manufacturer or processor) <input type="checkbox"/> Raw material-content authorized by Regulations section 1.472-8(b)(3)(ii) (manufacturer or processor) <input type="checkbox"/> Simplified Dollar-Value Method under section 474 (see instructions) <input type="checkbox"/> Other (describe and justify)		

9	Method used in computing LIFO value of dollar-value pools (see instructions and attach required information) <input type="checkbox"/> Double-extension <input type="checkbox"/> Link-chain (describe and justify) <input checked="" type="checkbox"/> Published Price Index (describe) <input type="checkbox"/> Index (describe and justify) <input checked="" type="checkbox"/> Other method (describe and justify) <u>LINK-CHAIN INDEX METHOD</u>		
10	Attach a statement briefly describing the cost system used <u>SEE STATEMENT ATTACHED</u>		
11	Did you receive the Commissioner's permission to change your method of valuing inventories for this tax year?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
12	Did you ever use the LIFO inventory method before? If "Yes," attach a statement listing the tax years you used LIFO and to explain why you discontinued it. <u>TAXPAYER IS STILL USING LIFO FOR NEW VEHICLES</u>	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Under penalties of perjury, I declare that I have examined this application, including any accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Applicant's signature and date

Parent officer's signature (if applicable) and date

Name and title (print or type)

Name and title (print or type)

JSA For Paperwork Reduction Act Notice, see instructions on back.

Form 970 (Rev. 12-95)

Vol. 6, No. 1

De Filippis' LIFO LOOKOUT

22 March 1996



A Quarterly Update of LIFO - News, Views and Ideas

FORM 1120 OR 1120-S: U.S. CORPORATION INCOME TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 1995

FORM 970 - INVENTORY ANALYSIS REQUIRED BY REGULATION SECTION 1.472-3(a) *

	YEAR ENDED DECEMBER 31			AT LIFO
	1993	1994	1995	
New & Demonstrator Automobiles	\$ _____	\$ _____	\$ _____	\$ _____
New & Demonstrator Light-Duty Trucks	\$ _____	\$ _____	\$ _____	\$ _____
Used Vehicles - Autos	\$ _____	\$ _____	\$ _____	\$ _____
Used Vehicles - Light-Duty Trucks	\$ _____	\$ _____	\$ _____	\$ _____
Parts and Accessories	\$ _____	\$ _____	\$ _____	\$ _____
Gas, Oil, Grease, WIP, Other Inventories	\$ _____	\$ _____	\$ _____	\$ _____
Total	\$ _____	\$ _____	\$ _____	\$ _____

* Amounts before Section 263A Inventory Cost Capitalization adjustments

STATEMENT OF INVENTORY VALUATION METHODS

NEW VEHICLES

New vehicle inventories are valued at LIFO, based on inflation indexes computed with reference to dealer base costs under the Alternative LIFO Method. The LIFO election for new vehicles was originally made in _____.

Invoices are received from the manufacturer or from other dealers in dealer trades. Each vehicle invoice consists of the aggregate of differing combinations of capitalizable costs including the vehicle base price which is the principal component, and other lesser sub-components such as destination charges, factory-installed options (both individual as well as in package combinations), options and accessories installed by the dealer, and other capitalizable charges.

Since taxpayer's new vehicle inventories are already on LIFO, taxpayer's election this year to use LIFO for used vehicles is reflected as a "Subsequent Election" on Form 970.

USED VEHICLES

Some used vehicles are acquired by purchase (at auctions or from other dealers) and some used vehicles are acquired by trade from retail customers. Used vehicles are valued at the lower of cost or market. Market is considered to be lower of wholesale, "as is" value, less estimated reconditioning cost, or estimated current wholesale market value.

PARTS & ACCESSORIES

Pursuant to accepted industry-wide practice, cost of parts and accessories inventories is determined at year-end by reference to manufacturer current price lists in effect at year-end. As a result, the ending parts and accessories inventory is valued at higher replacement costs. This practice results in an overall valuation for parts and accessories inventories that closely approximates, but usually is slightly in excess of, cost.

MISC. OTHER INVENTORIES

Gas, oil, grease, work in process, body shop supplies, sublet and other inventories are valued at cost.



Used Vehicle Inventory - Calculation of Annual LIFO Inventory Changes
As Calculated Under the Link-Chain, Index Method
For the Year Ended December 31, 1995

	Pool #1 Used Autos	Pool #2 Used Trucks
A. Beginning of Year Inventory at Base Date Cost	\$1,400,000	\$500,000
B. End of Year Inventory at End of Year (Current) Prices	1,000,000	600,000
C. End of Year Inventory at Beginning of Year (Base) Prices	Not Fully Repriced	Not Fully Repriced
D. <u>Current Year Price Index:</u>		
Ratio of: <u>End of Year Inventory Priced at End of Year Prices (divided by) End of Year Inventory Priced at Beginning of Year Prices</u>	1.04500	1.05000
E. <u>Cumulative Link - Chain Index:</u>		
Current Year Price Index (Line D) Multiplied by (X) Prior Year's Cumulative Index (Line E of Prior Year)	1.04500	1.05000
F. <u>End of Year Inventory at Base Date Cost</u>		
(Line B divided by Line E)	\$956,938	\$571,429
G. <u>Current Year Inventory Increase (decrease) - Expressed in Base Dollars</u>		
(1) End of Year Inventory at Base Date Cost (Line F)	\$956,938	\$571,429
(2) Beginning of Year Inventory at Base Date Cost (Line A)	<u>1,400,000</u>	<u>500,000</u>
(3) Current year Increment (G(1) Exceeds G(2)) or Decrease (if G(2) Exceeds G(1))	<u>(443,062)</u>	<u>71,429</u>
(4) LIFO Valuation of Current Year Increment (If G(1) Exceeds G(2), Multiply Line G(3) by Line E)	N/A	75,000
H. Analysis of Year-End Inventory LIFO "Layers"		
Base Inventory Autos \$956,938 x 1.00000	\$956,938	-
Base Inventory Trucks 500,000 x 1.00000	-	\$500,000
1995 Increment Trucks 71,429 x 1.05000	-	<u>75,000</u>
Ending Inventory at LIFO valuation, per above	\$956,938	\$575,000
Less: Ending Inventory at End of Year Prices (Line B)	<u>1,000,000</u>	<u>600,000</u>
LIFO Reserve at End of Current Year	\$43,062	\$25,000
Less: LIFO Reserve at End of Previous Year	<u>-0-</u>	<u>-0-</u>
Increase in LIFO Reserve at End of Current Year	<u>\$43,062</u> *	<u>\$25,000</u> **

Notes: Proof of LIFO Reserve: Autos \$956,938 x .045 = \$43,062 *
L/D Trucks \$500,000 x .05 = \$25,000 **

If the dual index approach for valuing increments were used, the factor line G(4) would not be the same as line E.



FORM 1120 OR 1120-S: U.S. CORPORATION INCOME TAX RETURN
FOR THE YEAR ENDED DECEMBER 31, 1995

STATEMENT REQUIRED BY REG. SEC. 1.472-8, AND BY FORM 970

RE: USE OF DOLLAR VALUE, LINK-CHAIN, INDEX METHOD

W/R/T EXTENSION (OR ELECTION) OF LIFO TO USED VEHICLE INVENTORIES

Taxpayer elects not to use the so-called "double extension" method for computing the LIFO value of its dollar-value used vehicle inventory pools. Instead, taxpayer elects and will use a dollar value, link-chain, index method for each pool.

This approach has been selected because of anticipated future technological changes in the stock of inventory, the extensive variety of items, and the changes in the items which are combined into and make up the vehicles sold by the taxpayer at retail.

Taxpayer is a franchised automobile dealer and the inflation indexes developed for its used vehicles on LIFO reflect its own specific data on prices and inventories quantities and are determined by repricing comparable vehicles based on age and model year designations. Taxpayer has detail schedules and price information with which it can demonstrate the accuracy, reliability, and suitability of its index computations.

Taxpayer will maintain one pool for used automobiles and a separate pool for used light-duty trucks. **(Note: If you are using a single pool: Taxpayer will include all used vehicles in a single pool).**

Under the link-chain, index method, the change in cost levels will be measured first on an annual basis, and then the cumulative change (forward from the base date) will be determined by multiplying the current annual index by the last previously determined cumulative index (i.e., by the cumulative index at the beginning of the year).

Taxpayer has also elected to value any future annual inventory increments (as determined under the link-chain, index method described above) by applying an index developed with reference to the specific identification of items in inventory at year-end and this method is expected to approximate (although it will not be exactly the same as) the "most recent purchases" method. This approach for valuing increments will simplify the LIFO computations because the same index that is used in converting (deflating) the ending inventory from actual cost to a base dollar equivalent will also be used for valuing any increments that are computed at year-end. **(Note: If you are using a dual index approach for valuing increments - instead of the same index approach described above - appropriate alternative language needs to be substituted.)**



**USED VEHICLE LIFO
FORM 970 & TAX RETURN REPORTING PACKAGE
COMMENTS & REMINDERS CHECKLIST**

**PRACTICE
GUIDE
CHECKLIST**

Please keep the following in mind in reviewing our proforma package:

- **FORM 970:** Use the most current Form available...December, 1995 revision.
- **FORM 970, Part I, Question C,** is answered "NO." This reflects the common dealer/industry practice of writing down used vehicles at year-end. If the dealership did not have any used vehicle writedowns at the end of last year, the answer to this question should be changed to "YES." (Reminder: Writedowns from cost are not permitted where LIFO is being used.)
- **FORM 970, Part II, Question 3,** is answered "YES" on the assumption that the dealership will spread the writedown in used vehicles at the end of last year over a three-year period, beginning with the first year of the used vehicle LIFO election. This will require a reversal of two-thirds of that prior year-end writedown amount if the vehicles written down have already been sold and the writedown amounts have already been taken into income 100% as a result of selling those vehicles. If this is not how you are treating the writedown, the response to Question 3 should be changed accordingly.
- **FORM 970, Question 5, parts (b) and (c),** regarding financial and factory statements require specific references to dates and to identify other recipients of year-end financial statements (i.e., shareholders, banks, etc.). **QUERY:** Did you provide for the adjustment to income in the year-end factory financial statements? If not, you may want to reevaluate...and possibly wait until next year with your LIFO election for used vehicles.
- The **FORM 970** reflects the following **method of accounting** sub-elections for computational purposes:
 - to use the dollar-value LIFO method (#7),
 - with a link-chain, index calculation (#9),
 - with one pool for used automobiles/cars and a separate pool for used light-duty trucks (#8).
 - Increments will be valued using the same index factor that was used to deflate the ending inventory (#6(a)). In other words, a dual index method is not being used.
- **FORM 970** should be signed and dated at the bottom.
- **THREE-YEAR INVENTORY ANALYSIS:** The year-end inventory information on this schedule should be tied out to the final numbers in the corresponding years' tax returns.
- **THREE-YEAR INVENTORY ANALYSIS:** Be sure to review the narrative statements regarding the methods employed for valuing the inventories and to fine tune the wording, where necessary, to reflect your situation.
- **SPECIAL IRS NATIONAL OFFICE (WASHINGTON, D.C.) FILING:** There is also a very important requirement—it is contained only in the Regulations and it is not referred to at all in the Form 970 instructions: A statement advising the IRS that the double extension LIFO method is not being used must be filed with the IRS National Office in Washington, D.C. That statement should be filed at the same time as the corporate tax return extending the LIFO election to used vehicles is filed with the IRS Service Center. See facing page for sample transmittal letter.
- **Worksheets** used to compute used vehicle inflation for 1995 and computations of the LIFO reserves should be retained as **permanent corporate records**.
- **FORM 970** must be included as part of the tax return in order to make the LIFO election. If you forget to include Form 970, you will not have a valid LIFO election. The instructions to the December, 1995 revision to Form 970 now provide that "If you prefer, you may file a statement that gives the same information asked for on Form 970." So, technically, you don't have to file Form 970...but you'd better be sure you provide all of the information that the form requests and answer all the questions.
- **Diagram** on page 21 shows these enclosures as attachments to the corporate income tax return and as separate filings with the IRS National Office in Washington, D.C. Note that a copy of Form 970 is **not** filed with the IRS National Office.



Dealership Letterhead

Commissioner of Internal Revenue Service
1111 Constitution Ave., N.W.
Washington, D.C. 20025
Attention: T:R

Re: (Name) _____

EI No. _____

Form 1120: Year Ending December 31, 1995

Extension of LIFO Inventory Method to Used Vehicles
Statement Required by Regulations Section 1.472-8(e)(1)
Re: Use of Link-Chain, Index Method

Gentlemen:

Pursuant to the requirements of Regulations Section 1.472-8(e)(1), attached is a statement concerning the above-identified taxpayer's use of a link-chain, index method in connection with its election to use the LIFO (Last-In, First-Out) inventory method for its used vehicle inventories.

A copy of the attached statement was also included as part of the Form 970 attachments filed by the taxpayer with the corporate income tax return.

If you have any questions, please call or write the undersigned.

Sincerely,

/s/



This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

De Filippis' LIFO LOOKOUT

Willard J. De Filippis, C.P.A., P.C.
317 West Prospect Avenue
Mt. Prospect, IL 60056