



De Filipp's

LIFO LOOKOUT

A Quarterly Update of LIFO - News, Views and Ideas

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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. LIFO CONFORMITY: IRS COUNTS THE DAYS 'TILL PAYDAY. Depending on when this issue reaches you—or when you find the time to read it—chances are there will be less than 60 days before the May 31 LIFO conformity penalty tax payment deadline. Many CPAs have been busy preparing corporate and individual tax returns for much of the year so far. But now, some are coming to the realization that something must be done ... soon ... to reckon with LIFO conformity violations in prior years. It's time to pay for those sins of omission or commission.

The last two issues of the *LIFO Lookout* have extensively covered Revenue Ruling 97-42 and Revenue Procedure 97-44. But, you know what? ... all the questions previously raised ... **STILL HAVE NO ANSWERS.** One of the biggest questions, not talked about much yet, is: "What's a reasonable (and we underline *reasonable*) estimate?" Is it like "reasonable" compensation, something not defined until one has to fight with the IRS over its meaning? Who's willing to fight with the IRS over this?

Adding even more "mystique" to the *PENALTY* scenario: No one really knows what the IRS—at the National Office, Examining Agent or Motor Vehicle Industry Specialist level—will be doing over the summer months after they pour over the filings and count the money. Then what? It should be an interesting summer.

Recently, one insurer of CPA firms sent out materials to their clients handling auto dealers advising and suggesting how to handle Revenue Procedure 97-44 with existing dealer clients ... and with former dealership clients at any time during the 6-year look-back period. For more about that, see pages 2 and 30.

For those who want last minute information, advice ... or speculation ... one opportunity is the Spring, '98 *CPA-Auto Dealership Niche Conference* on May 20-22 in Las Vegas. Speakers focusing on

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the LIFO conundrum will include Peter Kitzmiller from NADA, Ron Klein, Vice-President of CAMICO—an insurer of CPA firms—and *Lookout* Publisher Willard J. De Filipp's. Their presentations should include "up-to-the-minute", but still before the deadline, discussions of dealer and CPA firm strategies for coping with the May 31 deadline.

#2. LIFO CONFORMITY PENALTY: IF YOU PAY THE IRS, DO YOU ALSO PAY YOUR STATE?

What are the state income tax consequences of paying the LIFO penalty tax to the IRS? Another aspect not focused on until recently was whether payment of the LIFO conformity penalty tax to the IRS may have any state tax implications. We recently e-mailed or wrote all of the state taxing authorities raising this question. Replies to date indicate that most states are not planning to exact any additional tax from auto dealers who pay the LIFO conformity penalty tax to the IRS.

However, several states have "reserved" their decision or still have the matter "under consideration." These states, including California, are the ones to be wary of if you are filing dealership returns with conformity violation payments. See page 4.

see LIFO UPDATE, page 25

AUTO DEALER CONFORMITY UPDATE— COUNTDOWN TO COLLISION

MAY 31
1998

Coming this summer: Another disaster movie with an unsuspecting and unbelieving populous ultimately delivered from harm by the breathtaking feats of the stalwart heroes. Something about a meteor (or do you say "meteorite"?) approaching planet Earth and results that not even the word "disastrous" adequately describes. Far more immediate, and not quite so potentially devastating—but certain to be unpleasant financially, at a minimum—is a smaller catastrophe ...scheduled to impact a more limited target: Auto dealers on planet Earth ...in the United States... who have used the LIFO (Last-In, First-Out) Inventory Method ...and who had LIFO conformity violations on their dealer Factory financial statements... during any one of the six years 1991-1996.

Yes ...that day is coming... soon. And it's too late to repent. And the proverbial spot between a "rock and a hard place" will be no fun to be in.

May 31, 1998 is the date on which the first installment of the *Settlement Amount* payment for dealers not under audit on October 14, 1997 is due to compensate the IRS for a prior conformity violation. The first payment due date for dealerships that were under examination on October 14, 1997 has already receded into the dim past: that day was December 1, 1997.

The September & December 1997 *LIFO Lookouts* generously responded to the lament of prior issues: "What Ever Became of LIFO Conformity?" We all found out ... on September 25, 1997 ... with a subtle vengeance!

Unfortunately, there is not much *new* to be said about these prior questions arising under the Revenue Ruling and Revenue Procedure. Not surprisingly, answers have not been forthcoming.

Selecting just one of those questions, and amplifying it with the underlying fact pattern gives you an idea of how little guidance there really has been in "clarifying" the conformity "problem." The question we've selected relates to the use of *reasonable* estimates and the statement in Revenue Ruling 97-42 that if a *reasonable* estimate were used on the year-end financial income statement, the actual change in LIFO reserve did not have to be (eventually) reflected in the income statement.

WHAT'S A REASONABLE ESTIMATE?

How does one arrive at a sense of comfort relative to estimates that were placed on (or thrown at) income statements in an effort to satisfy the conformity requirement? "Among other interpreta-

tions of this suggestive question, the following is full of teaching." Prior to year-end, the (CPA's?) estimate of the change in the LIFO reserve was that it would increase income (i.e., the LIFO Reserve would go down) by \$20,000. Accordingly, net income was increased by that amount on the preliminary December 31 Factory statement. Afterward, when the LIFO computations for the year were actually made, they showed that the LIFO reserve increased by \$130,000.

What we have here is a "swing" of \$150,000 in (taxable) income. Is this *reasonable*? Will the estimate of an increase in income of \$20,000 be regarded by the IRS as *reasonable* in satisfying Rev. Rul. 97-42 and avoiding Rev. Proc. 97-44?

What would you do if you had almost \$100,000 of LIFO penalty tax riding on the answer?

INSURANCE CONSIDERATIONS

Recently, one major CPA firm insurer released a special report on "Auto Dealer Clients' LIFO Conformity" consisting of a cover letter/memo; a more detailed technical memorandum discussing LIFO conformity, Revenue Ruling 97-42 and Revenue Procedure 97-44; and two sample letters to be sent to auto dealer clients (one sample letter for current clients and the other sample letter for former auto dealer clients).

This package was provided by the Loss Prevention Department of CAMICO, 255 Shoreline Drive, Redwood City, California. Their cover memo is reproduced, with permission, on pages 30-31. In it, CAMICO stresses the importance for immediate action to be taken with both current and former auto dealer clients before April 1, 1998. It indicates that because CPAs are almost never involved in preparing their clients' Factory statements, it is unlikely that a CPA firm has any responsibility for any incorrectly prepared statements. This letter, realizes, however, that some clients may assert that a CPA firm has such responsibility, and it suggests that its policyholders should review their files as far back as 1991, and determine former, as well as current, auto dealer clients. It recommends that the appropriate sample letter be sent as soon as possible, but not later than April 1, 1998, and it recommends meeting with selected current clients to discuss the issues in the letter before sending the letter, if that might be appropriate. It also advises that after meeting with dealers to discuss the issues, the CPA firm should send a letter to confirm that discussion in writing.

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Conformity: Countdown

CAMICO suggests that the following steps be considered if in the following course of discussions with auto dealer clients an assertion is made that the CPA firm is responsible for the Factory statement LIFO non-conformity.

1. Document whether or not the Factory financial statement was prepared by the client with or without assistance from the CPA firm.

2. Emphasize that the immediate focus should be on determining what actions, if any, the client should take to correct the LIFO non-conformity and whether the client will utilize the relief provided by Revenue Procedure 97-44 if it pays the penalty tax.

3. State that after the decisions referred to above have been made, then a clear assessment can be made of all the facts and circumstances around the involvement of the CPA firm in its past engagements relative to the question of whether any responsibility exists on the part of the CPA firm relative to the LIFO non-conformity.

CAMICO stresses to its policyholders that their Firms should avoid assuming any improper legal duties or responsibilities in connection with these matters, and that if the client—or another party—asserts Firm responsibility for either the Factory statement LIFO non-conformity and/or the Revenue Procedure 97-44 fee, the Claims Department should be notified immediately.

The technical memorandum issued by CAMICO stresses the IRS' assertion that the LIFO conformity issues are not subject to the usual 3 year statute of limitations which, in turn, underscores the importance of addressing the matter of LIFO conformity (or non-conformity) in the 6 year look-back period. The technical memorandum indicates that a self-check should be conducted by each auto dealer—or its representative—to determine whether or not LIFO conformity violations exist. If a dealer does not have a LIFO conformity violation during the look-back period, the dealer should retain the self-check documentation. Obviously, this documentation should be retained *permanently*. If the self-check reveals a LIFO conformity violation during any one of the six most recent taxable years ending on or before October 14, 1997 (i.e., for the calendar years 1991-1996), then the alternatives or options narrow down to only three:

OPTIONS

1. **Pay** the settlement fee and file a memorandum statement by May 31, 1998,
2. **Play** "IRS audit roulette," or
3. **Run away:** i.e. terminate the LIFO election.

(Continued)

All are very unpleasant prospects standing alone or in comparison with the others.

LETTER FOR CURRENT DEALER CLIENTS.

The sample letter provided for (CPAs to send to their) current auto dealer clients states, in the first paragraph, that "it would be best to call our office as soon as possible to discuss the relief provisions and their application to your business." This letter is four pages long and provides a comprehensive discussion of the LIFO conformity problem and what the IRS has said in Rev. Rul. 97-42 and Rev. Proc. 97-44. It also clearly sets forth the three alternatives which a dealer will have to consider if, in fact, a LIFO conformity violation has occurred during any one of the years 1991-1996. The letter concludes by requesting that the dealer contact the sending CPA as soon as possible so that they may discuss the alternatives available to the dealership if it has LIFO conformity violations.

LETTER FOR FORMER DEALER CLIENTS.

The sample letter to the former or prior auto dealer client is only two pages. It begins by indicating that, although the CPA Firm does not currently render services to the dealership, it would like to take the opportunity to notify it of an important tax issue. The "important tax issue" is the increased IRS enforcement of the LIFO conformity regulations. The former-client letter then overviews the recent developments, and closes by telling the dealer that because each business is unique, it would be best to consult with your current CPA regarding (1) whether your business might have any LIFO conformity violations and (2) the IRS relief provisions specifically as they apply to your dealership.

With respect to both letters—the current-client dealer letter and the former-client dealer letter—CAMICO emphasizes the importance of dating the letter to document the date of the correspondence. The senders might also wish to send those letters by certified mail in certain instances.

In its technical memorandum to policyholders, CAMICO points out that if a dealer was under IRS audit on October 14, 1997, the first payment of its Settlement Amount or "penalty tax" was due December 31, 1997. Note: this is a technical error because the first payment was actually due December 1, 1997, (Revenue Procedure 97-44, Sections 5.03(2)). That is not the point. It goes on to state that if the dealer under examination on October 14, 1997 did not make a timely payment of this first installment on its accelerated, early payment date, then it is "likely the IRS will assert that the dealer has lost its ability to cure its past LIFO conformity violations."

see **CONFORMITY: CAMICO...**, page 30



STATE INCOME TAX CONSEQUENCES OF PAYING THE LIFO CONFORMITY PENALTY TAX TO THE IRS

Understandably, everyone's attention has been focused on whether or not any liability exists to the Internal Revenue Service for the LIFO conformity penalty tax due May 31. Closely related to the Federal income tax aspects of this payment are questions of whether or not there is any corresponding income tax liability that should be reported to the State in which the dealership files its income tax return.

We recently e-mailed or wrote the letter below to every state taxing authority raising several questions in this regard. Some states sent back explanatory letters, others just placed a call which we returned.

Overall, most of the states responding so far indicate that they do not have any corresponding requirements that will require the payment of state income tax when a penalty payment is made to the IRS under Rev. Proc. 97-44 for a LIFO conformity violation in a prior year.

We have included relevant portions of the state responses. It is interesting to see what some have to say in answer to the questions we posed. Some responses reveal the degree of attention or consideration that the taxing authorities have given these questions, as well as what their underlying statutes contain on the subject.

One state - New Jersey - said that a copy of its letter should be attached to the tax return filed "so the that New Jersey auditor will be aware of the disparity in treatment for State and Federal tax purposes."

States that said they presently have the questions or issues "under consideration" are: **California, Colorado, Massachusetts and Utah**. Furthermore, there appear to be a few other states who pretty much follow California's lead in deciding whether or how they will tax certain transactions or events. Accordingly, there may be a few more where these questions are under consideration.

States from whom responses have not been received: Alaska, Florida, Georgia, Michigan, Mississippi, Missouri, New Hampshire, New Mexico, New York, North Carolina, North Dakota, Oregon, Washington DC, and Wyoming.

STATE OF _____ INCOME TAX ASPECTS OF FEDERAL PENALTY TAX PAID UNDER REVENUE PROCEDURE 97-44 BY AUTOMOBILE DEALERS

Dear Sir or Madam:

We are writing to inquire how the State of _____ will be treating auto dealership corporations who pay the special Federal penalty tax of 4.7% on their LIFO inventories under Revenue Procedure 97-44.

This penalty tax is assessed against automobile dealers under Revenue Procedure 97-44, and the first installment of one-third is due on or before May 31, 1998. The IRS has agreed to collect this 4.7% penalty in lieu of terminating the auto dealership's LIFO election because of a violation of the LIFO (Last-In, First-Out inventory) financial statement conformity requirement during any one of the years from 1991 through 1996.

This tax arises out of a dealership's LIFO inventory valuation method for new vehicles. Some dealers may pay several hundred thousand dollars as the penalty for LIFO conformity violations.

QUESTIONS:

1. For a dealer paying the Federal penalty tax, will there be any corresponding special or extra tax due to the State of _____? If so, how should it be calculated?
2. With respect to what year or years should it be paid?
3. Is some other treatment or special disclosure required in the dealership's income tax returns filed with the State of _____?

If you are unable to answer these questions, please advise to whom we should address our inquiry. ...

Sincerely,



**STATE INCOME TAX CONSEQUENCES OF PAYING
LIFO CONFORMITY PENALTY TAX UNDER REV. PROC. 97-44 TO THE IRS**

ALABAMA - "Until inventory method is terminated by IRS no adjustment is necessary on Alabama income tax return. However, the penalty payments or any interest associated with the penalty may not be deducted in arriving at Alabama taxable income."

"If the IRS does terminate inventory election then taxpayer should compute Alabama taxable income according to method IRS mandates." (Letter, Feb. 2, 1998)

ARIZONA - "Arizona does not have a statutory provision for a special tax or a penalty similar to the Federal settlement amount payments made to the Internal Revenue Service under Rev. Proc. 97-44. No special treatment or disclosure of the settlement amount payments is required for the taxpayer's Arizona corporate tax returns." (Letter, Mar. 24, 1998)

ARKANSAS - "...Arkansas requires the same accounting method and tax year as that used on the Arkansas taxpayer's Federal return. Arkansas has not adopted, by code or regulation, the Federal penalty tax referenced in your Feb. 6th letter... the taxpayer must attach a copy of any certification or approval obtained from the Internal Revenue Service relating to the change in accounting method or tax year to their Arkansas return." (Letter, Feb. 16, 1998)

CONNECTICUT - "Would not affect Connecticut, they start with Federal Taxable Income." (Phone, Feb. 6, 1998)

DELAWARE - "Section 1903(a) of Title 30 of the Delaware Code defines the starting point for State taxation as '...Federal taxable income for such year as computed for purposes of the Federal income tax...' We construe this to mean Line 30, Federal Form 1120. Since the Federal taxes that you describe are 'below the line' i.e. line 30 of Form 1120, there is no impact on State taxation of a corporation." (Letter, Jan. 30, 1998)

HAWAII - "For Hawaii income tax purposes, Hawaii has conformed to the IRC as it applies to the determination of gross income, adjusted gross income, ordinary income and loss, and taxable income. Federal penalty provisions or relief measures, such as IRS Revenue Procedure 97-44, are not operative. As provided under Section 235-2.3, Hawaii Revised Statutes, IRC Section 472, relating to the election to use the LIFO inventory method, is operative for Hawaii. This does not mean, however, that in making such an election for Federal purposes, the election is also considered made for Hawaii purposes. A separate application to use the LIFO inventory method for Hawaii income tax purposes needs to be made.

"Although IRS Revenue Procedure 97-44 is not operative for Hawaii nor has Hawaii established its own similar provision, in those cases where an election to use the LIFO inventory method has been made for both Federal and Hawaii income tax purposes, Hawaii will recognize the auto dealership's compliance with IRS Revenue Procedure 97-44 and not terminate the auto dealership's Hawaii LIFO election. There is no special 'settlement amount' due the State nor any special treatment or disclosure required in the auto dealership's income tax returns filed with the State." (Letter, Mar. 9, 1998)

IDAHO - "Adapted Federal taxable income, no special Idaho tax." (Phone, Feb. 17, 1998)

ILLINOIS - "A dealership which is allowed to continue to use LIFO despite conformity violations for Federal income tax purposes must continue to use LIFO for Illinois income tax purposes, and there is no Illinois penalty or special tax for doing so...Internet email replies to Internet questions are not private letter rulings or general info letters..." (Letter, Jan. 26, 1998)

INDIANA - "If there is no adjustment to Federal taxable income, there is no adjustment for Indiana purposes." (Phone, Mar. 9, 1998)

IOWA - "There wouldn't be any adjustment by Iowa based on the payment of the Federal (conformity) penalty tax." (Phone)

KANSAS - "...Have contacted several individuals within the Department of Revenue in regard to the impact to the State of Kansas. At the present time we have not been able to locate an area that may be affected." (Letter, Feb. 26, 1998)

KENTUCKY - "The Kentucky Revised Statutes do not contain any provisions for payment of a settlement amount for auto dealers that have violated the LIFO conformity requirement of IRC Section 472. Since the settlement amount for Federal income tax purposes is not treated as interest under IRC Section 163(a), it may not be capitalized or deducted under any provision of the Code, is not refundable or creditable against any Federal tax liability of the auto dealer, there would be no impact on Kentucky taxable net income." (Letter, Feb. 20, 1998)



LOUISIANA - "There is no provision in the Louisiana tax code to tax or penalize or otherwise specially treat the situation you have described. This summer's legislative session is a fiscal session; you may wish to watch for passage of any such legislation. At present, I am not aware of any proposals in this area." (Letter, Feb. 11, 1998)

MAINE - "For auto dealer corporations who pay the special Federal penalty tax of 4.7% on their LIFO inventories under Rev. Proc. 97-44, Maine Revenue Services has no corresponding special or extra income tax due. Code Section 472, Section 5, 0.2 states that the settlement amount is not treated as interest under Section 163(a) and may not be capitalized or deducted under any provision of the Code; therefore, no other treatment or special disclosure is required on the Maine income tax return." (Letter, Feb. 24, 1998)

MARYLAND - "Because there is no effect on the computation of Federal adjusted gross income or Federal taxable income, the 'Federal penalty tax' will have no effect on the taxpayer's tax liability in the State of Maryland. We simply do not have any provisions under the Maryland law for assessing penalties for failure to use the correct inventory valuation method. In general, the Maryland income tax law does not adopt any of the civil Federal penalties under the Internal Revenue Code. Maryland also does not have any provisions of its own analogous to the Federal penalties. There is, therefore, no corresponding special or extra tax due to the State of Maryland." (Letter, Feb. 9, 1998)

MINNESOTA - "No. Minnesota statutes do not provide for the imposition of any penalty similar to or related to the penalty described in Rev. Proc. 97-44." (Letter, Mar. 2, 1998)

MONTANA - "Under Montana law, there is no penalty tax requirement in regards to the LIFO inventory method violations as there is on the Federal level for taxpayers who comply with the relief provisions of Rev. Proc. 97-44. There also is no disclosure required on the Montana Corporation License Tax returns (MCLT-4's) for taxpayers in compliance with Rev. Proc. 97-44.

"However, the Montana Supreme Court has consistently held to the rule that the definition of gross income and net income is dependent upon, and incorporates by reference, the Federal Internal Revenue Code, except where Montana law expressly provides otherwise. Therefore, if any Federal adjustment is required to be made which affects the calculation of the Federal taxable income, then corresponding amended MCLT-4's must also be filed." (Letter, Feb. 24, 1998)

NEBRASKA - "Nebraska imposes its corporation income tax on the Federal taxable (income) of the corporation. The Federal penalty in question is not a part of the Federal taxable income of the corporation and would, therefore, not be included in the Nebraska tax base. Likewise, there is no Nebraska statutory provision which would impose a similar penalty." (Letter, Feb. 18, 1998)

NEVADA - "...The Department of Taxation is unfamiliar with Revenue Procedure 97-44. According to your letter, it deals with auto dealership corporations. Therefore, you may want to contact the Sec. of State's Office..." (Letter, Mar. 3, 1998)

NEW JERSEY - "...This matter has been carefully reviewed and the Division audit staff has been consulted. It is the opinion of this office that for a dealer paying the Federal penalty tax, there will be no corresponding special or extra tax due to the State of New Jersey.

"In general, a taxpayer is required to use the same accounting method for state purposes that the taxpayer uses Federally. At the present time, New Jersey has no authority to impose a fee corresponding to the one required by Rev. Proc 97-44. A dealership that is a New Jersey taxpayer required to pay a penalty by the Federal government should reflect such payments on Schedule C, Reconciliation of Income Per Books with Income Per Return, of the applicable New Jersey return. Such a penalty would represent a reconciling item and would not be deductible for New Jersey tax purposes. A copy of this letter, should be attached to the return so that the New Jersey auditor will be aware of the disparity in treatment for state and Federal tax purposes." (Letter, Mar. 4, 1998)

OHIO - "...Taxpayers described in and complying with the payment requirements set forth in the revenue procedure will continue to use LIFO accounting for purposes of calculating their Ohio taxable income. Such taxpayers will not have to pay any 'settlement' amount to the State of Ohio. Such taxpayers will not have to pay the State of Ohio any other form of tax, penalty, or interest with respect to the violation of the LIFO conformity requirement since it does not appear that the 'settlement amount' will be paid 'as the result of an adjustment' to the taxpayer's Federal income tax return -- see ORC Sections 5733.031(C) and 5747.10 (first paragraph)." (Letter, Feb. 27, 1998)



OKLAHOMA - "Oklahoma does not have a penalty for State purposes comparable to the Federal penalty." (Phone, Feb. 4, 1998)

PENNSYLVANIA - "No affect on Pennsylvania tax." (Phone, Jan. 28, 1998)

RHODE ISLAND - "Apparently, no special Rhode Island tax treatment." (Phone, Feb. 6, 1998)

SOUTH CAROLINA - "Not going to assess a penalty on dealers in this situation." (Phone, Feb. 27, 1998)

SOUTH DAKOTA - "South Dakota does not have a corporate or personal income tax." (Letter, Feb. 5, 1998)

TENNESSEE - "...This is strictly a matter of Federal taxation with no application to state taxes.." (Letter, Feb. 5, 1998)

TEXAS - "Although there is no income tax imposed in Texas, the State does impose a franchise tax on certain entities such as corporations... For franchise tax reporting purposes, there is no special or extra tax imposed on an auto dealership subject to the Federal penalty tax. In addition, there is no special treatment or disclosure required on the franchise tax reports." (Letter, Feb. 5, 1998)

VERMONT - "Vermont C Corporation tax begins with line 30 of 1120 or line 26 of 1120A. Adjustments to the taxable income are: Add back for non-VT state and local obligations and other state/local income or franchise taxes...deduct interest of U.S. govt. obligation, gross up from IRC 78 and targeted jobs credit salary and wage expense addback. At the present there is no provision to include this penalty to VT C Corporation tax." (Letter, Feb. 12, 1998)

VIRGINIA - "Virginia has no modification on the corporate income tax return LIFO inventory penalties." (Letter, Feb. 5, 1998)

WASHINGTON - "Unlike many states, Washington does not have an income tax that 'piggy-backs' the Federal income tax. Thus, there is no corresponding special tax or penalty for automobile dealers in Washington to the special Federal penalty under tax Rev. Proc. 97-44. Washington's primary sources of revenue are the retail sales tax and the business and occupation (B&O) tax." (Letter, Feb. 9, 1998)

WEST VIRGINIA - "There would be no special tax treatment or any special payment due to the State." (Phone, Apr. 3, 1998).

WISCONSIN - "Because this is a special Federal penalty tax assessed by a revenue procedure, it will have no impact for Wisconsin, unless for some reason the Wisconsin legislature would enact a related assessment for Wisconsin tax purposes. At this point in time there is nothing in the Wisconsin law to assess anything like this. The only impact on the taxpayer's Wisconsin franchise tax return would be in the use of the taxpayer's LIFO inventory valuation method for new vehicles. Per the Revenue Procedure, if the penalty is paid, the taxpayer may continue to use the valuation method and if the penalty is not paid, the method is apparently terminated and some other method used in its place. The taxpayer would just use whatever valuation method they were allowed to use on their Federal return." (Letter, Feb. 5, 1998)

STATES WITH CONSIDERATIONS PENDING

CALIFORNIA - "Issue is in Legal Department." (Phone, Jan. 29, 1998)

COLORADO - "...Have given your inquiry to our Tax Conferee Office. They will respond to you." (Letter, Feb. 27, 1998)

MASSACHUSETTS - "The Department of Revenue has not issued a formal pronouncement for this issue. You may request for a ruling in writing. The request should be addressed to the following: Commissioner of Revenue, Massachusetts Department of Revenue, 100 Cambridge Street, Boston, MA 02204, Attn.: Rulings & Regulations Bureau, Room 810 (Letter, Feb. 9, 1998)

UTAH - "I have forwarded your question to our corporation audit folks for review." (Letter, Feb. 4, 1998)

STATES NOT YET HEARD FROM AS OF MARCH 31, 1998

Alaska
Florida
Georgia

Michigan
Mississippi
Missouri

New Hampshire
New Mexico
New York

North Carolina
North Dakota
Oregon

Washington DC
Wyoming



NEW ITEM REPORT FOR 1997 CALENDAR YEAR DEALERS 1997-1998 MODELS IN DECEMBER, 1997 INVENTORIES

We are pleased to present our December 31, 1997 Year-End New Item Report showing our "unofficial" determinations of new items for all of the item categories under the Alternative LIFO Method for Automobile Dealers. This is drawn from our *SUPERLIFO 2000™* database which comprises the backbone of our Alternative LIFO Software Program.

In the past we have compared our new item list side-by-side with the new item list published by the IRS Motor Vehicle Specialist's office. This year there's one slight hitch: the IRS hasn't released its New Items List yet, so we'll have to save that comparison for later.

Rather than comparing our current New Item List with new item determinations made by other software vendors (we did that once), readers may find it more useful to see which makes and models have experienced a significant number of new items over a three-year period when this data is drawn from the same consistently compiled database. Accordingly, to put our 1997 Year-End New Item Report in perspective, we have included our comparable Year-End New Item Reports for 1996 and 1995.

In considering these lists, be aware that the status of some items included in our prior published lists may have been changed as a result of information subsequently made available for our analysis after the date when our New Item Report was originally published. Accordingly, the lists of prior year end (1995 and 1996) new items show the comparative status based on all updates, some of which were not previously published in the *LIFO Lookout*. More background on certain or "unusual" new item category determinations can be found in the March, 1996 and March, 1997 issues of the *LIFO Lookout*.

A few observations on this 3 years' worth of side-by-side new item determinations: **FIRST**, although fiscal year dealerships are looking at slightly different "slices" or time frames of reference, all dealerships should be experiencing the frequency of comparable new item treatment—with only the year in which the item category is new being off slightly from the corresponding calendar year. **SECOND**, in drafting the original Alternative LIFO Revenue Procedure (92-79), the IRS anticipated that over a number of years, there would be a certain "turnover" of item categories, resulting in new items appearing sooner or later. Accordingly, any auto dealership's LIFO computations over a period of years should be reflecting the presence of new items based on the specialized rules (below) which define a "new item." **THIRD**, some manufacturers and makes reflect a much higher incidence of new items than others. For these, the benefits of the Alternative LIFO Method may be comparatively less attractive ... but that by no means renders them unattractive per se.

DEFINITION OF A "NEW ITEM"

Section 4.02(5) of Revenue Procedure 97-36 contains the language and rules for determining whether or not an item category is **new**. A **new** item category is defined as an item category not considered to be in existence in the prior taxable year. Under Rev. Proc. 97-36, a new item category results from any one of the following:

- | | |
|-----------------|---|
| NEW ITEM | <ul style="list-style-type: none">• 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. |
|-----------------|---|

DIFFERENCES BETWEEN NEW ITEMS LISTS

Eventually, the Office of the IRS Motor Vehicle Specialist will release its "unofficial" New Items List for calendar year-end 1997. We would expect there to be some differences between our respective Lists. In the past, differences between entries on our respective New Items Lists usually were explained by one of these reasons:

- Minor variations in the item category breakdowns. This includes the 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 ... (such as California, Washington, Oregon, Idaho, Massachusetts and New York special values and General Motors' Consumer Marketing Initiative/CMI).



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LIFO LOOKOUT

1998

NEW ITEM REPORT

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NEW ITEM CATEGORIES FOR NEW AUTOMOBILES												AUTOS	
UNDER THE ALTERNATIVE LIFO (LAST-IN, FIRST-OUT) METHOD FOR AUTOMOBILE DEALERS												PAGE 1 OF 9	
REVENUE PROCEDURES 97-36 & 92-79													
W/RT NEW VEHICLE INVENTORIES FOR TAXABLE YEARS ENDING ON DECEMBER 31, 1997 - 1996 - 1995													
DECEMBER 31, 1997				DECEMBER 31, 1996				DECEMBER 31, 1995					
MAKE				MAKE				MAKE					
MDL	BODY STYLE	MAKE	CODE	MDL	BODY STYLE	MAKE	CODE	MDL	BODY STYLE	MAKE	CODE		
ACURA				ACURA				ACURA					
NSX	2-DR COUPE 5-SP		NA213	CL	2-DR COUPE 2.2 5-SP		YA114	LEGEND	4-DOOR SEDAN SPECIAL ED AUTO				
	2-DR COUPE AUTO		NA123		2-DR COUPE 2.2 5-SP W/PREM PKG		YA115	NSX	2-DR COUPE 5-SP		NA116		
NSX-T	2-DR COUPE 5-SP		NA216		2-DR COUPE 2.2 AUTO		YA124		2-DR COUPE AUTO		NA126		
	2-DR COUPE AUTO		NA126		2-DR COUPE 2.2 AUTO W/PREM PKG		YA125	NSX-T	2-DR COUPE 5-SP		NA118		
RL	4-DR SEDAN W/NAV PKG		KA967		2-DR COUPE 3.0 AUTO		YA224		2-DR COUPE AUTO		NA128		
				RL	2-DR COUPE 3.0 AUTO W/PREM PKG		YA225	TL	4-DR SEDAN 2.5		UA264		
					4-DR SEDAN 3.5		KA964		4-DR SEDAN 2.5 PREM PKG.		UA265		
					4-DR SEDAN 3.5 W/PREM PKG		KA965		4-DR SEDAN 3.2		UA364		
					4-DR SEDAN 3.5 W/PREM PKG & NAV SYS		KA966		4-DR SEDAN 3.2 PREM PKG.		UA365		
AUDI				AUDI				AUDI					
A4 SERIES	4-DR WAGON AVANT 5-SP		8D55VK	A4 SERIES	4-DR SEDAN 1.8L 5-SP		8D25I4	A4 SERIES	4-DR SEDAN 2.8L 5-SP		8D25S4		
	4-DR WAGON AVANT QUATTRO 5-SP		8D55V5		4-DR SEDAN 1.8L AUTO		8D25IA		4-DR SEDAN 2.8L AUTO		8D25SA		
	4-DR WAGON AVANT QUATTRO AUTO		8D55VZ		4-DR SEDAN 1.8L QUATTRO 5-SP		8D25I5		4-DR SEDAN 2.8L QUATTRO 5-SP		8D25S5		
A6 SERIES	4-DR SEDAN AUTO		4B24VA	A8 SERIES	4-DR SEDAN 1.8L QUATTRO AUTO		8D25IB	S6 SERIES	4-DR SEDAN 2.8L QUATTRO AUTO		8D25S8		
	4-DR SEDAN QUATTRO AUTO		4B24VB		4-DR SEDAN AUTO		4D22UI		4-DR WAGON		4A5555		
	4-DR WAGON AUTO		4A53U8		4-DR SEDAN QUATTRO AUTO		4D228J						
BMW				BMW				BMW					
3 SERIES	323IC 2-DR CONVERTIBLE 5-SP		41	3 SERIES	M3 4-DR SEDAN 5-SP		22	3 SERIES	318TI 2-DR HATCHBACK 5-SP		30		
	323ICA 2-DR CONVERTIBLE AUTO		46		M3 4-DR SEDAN AUTO		27		318TIA 2-DR HATCHBACK AUTO		35		
	323IS 2-DR COUPE 5-SP		34	5 SERIES	528I 4-DR SEDAN 5-SP		50		328I 4-DR SEDAN 5-SP		42		
	323ISA 2-DR COUPE AUTO		39		528IA 4-DR SEDAN AUTO		55		328IA 4-DR SEDAN AUTO		47		
					540I 4-DR SEDAN		53		328IC 2-DR CONVERTIBLE 5-SP		31		
					540IA 4-DR SEDAN		58		328ICA 2-DR CONVERTIBLE AUTO		36		
				7 SERIES	740I 4-DR SEDAN		74		328IS 2-DR COUPE 5-SP		33		
					2-DR ROADSTER 1.9L 5-SP		23		328IA 2-DR COUPE 5-AUTO		38		
				Z3	2-DR ROADSTER 2.8L 5-SP		28	7 SERIES	740L 4-DR SEDAN AUTO		79		
									750L 4-DR SEDAN AUTO		76		
								8 SERIES	850 CI 2-DR COUPE 5-SP		80		
									850 CSI 2-DR COUPE 5-SP		85		



**NEW ITEM CATEGORIES FOR NEW AUTOMOBILES
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W/RT NEW VEHICLE INVENTORIES FOR TAXABLE YEARS ENDING ON DECEMBER 31, 1997 - 1996 - 1995

DECEMBER 31, 1997				DECEMBER 31, 1996				DECEMBER 31, 1995			
MAKE				MAKE				MAKE			
MDL	BODY STYLE	CODE		MDL	BODY STYLE	CODE		MDL	BODY STYLE	CODE	
BUICK				BUICK				BUICK			
CENTURY				CENTURY				LESABRE			
	4-DR SEDAN CUSTOM 1SG CWOI	S69 1SG			4-DR SEDAN CUSTOM	S69			4-DR SEDAN CUSTOM	P69C	
	4-DR SEDAN LIMITED 1SH CWOI	Y69 1SH			4-DR SEDAN LIMITED	Y69			4-DR SEDAN LIMITED	R69L	
LESABRE				PARK AVENUE				REGAL			
	4-DR SEDAN CUSTOM 1SG CWOI	P69 1SG			4-DR SEDAN	W69			2-DR COUPE GRAN SPORT	B57 GS	
	4-DR SEDAN LIMITED 1SG CWOI	R69 1SG			4-DR SEDAN ULTRA	U69		SKYLARK			
PARK AVENUE				REGAL							
	4-DR SEDAN 1SG CWOI	W69 1SG			4-DR SEDAN GOLD	B19 GOLD			2-DR COUPE CUSTOM	J37	
	4-DR SEDAN 1SH CWOI	W69 1SH							2-DR COUPE CUSTOM FLEET	V37 FLEET	
REGAL											
	4-DR SEDAN GS	F69							4-DR SEDAN CUSTOM	J69	
	4-DR SEDAN GS 1SH CWOI	F69 1SH							4-DR SEDAN CUSTOM FLEET	V69 FLEET	
	4-DR SEDAN LS	B69									
	4-DR SEDAN LS 1SG CWOI	B69 1SG									
RIVIERA											
	2-DR COUPE 1SG CWOI	D07 1SG									
CADILLAC				CADILLAC				CADILLAC			
SEVILLE				CATERA							
	4-DR SEDAN SLS	6KS69			4-DR SEDAN W/CLOTH	6VR69 C					
	4-DR SEDAN STS	6KY69			4-DR SEDAN W/LEATHER	6VR69 L					
CHEVROLET / GEO				CHEVROLET / GEO				CHEVROLET / GEO			
CAMARO				CAVALIER				BERETTA			
	2-DR COUPE CWOI	1FP87 CWOI			2-DR COUPE 1SB AUTO CVC	1JC37 1SB			2-DR COUPE S.V.C...	LV37 SVC	
CAVALIER					2-DR COUPE RS	1JC37 RS			2-DR COUPE Z26 S.V.C.	1LW37 SVC	
	2-DR CONVERTIBLE Z24	1JF67			4-DR SEDAN 1SF AUTO CVC	1JC69 1SF		CAMARO			
	2-DR COUPE R8L CWOI	1JC37 R8L		LUMINA							
	4-DR SEDAN R8L CWOI	1JC69 R8L			4-DR SEDAN LTZ	1WN69			2-DR CONVERTIBLE RS	1FP87 RS	
CORVETTE				MALIBU				CAPRICE			
	2-DR CONVERTIBLE COUPE	1YY67			4-DR SEDAN	1ND69			4-DR SEDAN CLASSIC W/1SA	1BL19	
	2-DR COUPE	1YY07			4-DR SEDAN LS	1NE69			4-DR SEDAN CLASSIC W/1SB	1BL19 SB	
LUMINA				MONTE CARLO							
	4-DR SEDAN LTZ R8L CWOI	1WN69 R8L			2-DR COUPE LS R8L SVC	1WW27 R8L			4-DR SEDAN CLASSIC W/1SC	1BL19 SC	
MALIBU								4-DR WAGON CLASSIC W/1SD			
	4-DR SEDAN LS CWOI	1NE69 CWOI									
METRO								CAVALIER			
	3-DR H/B COUPE CWOI	1MR08 CWOI							2-DR CONVERTIBLE LS	1JF67	
	4-DR SEDAN LSI CWOI	1MR69 CWOI							2-DR COUPE Z24	1JF37	
MONTE CARLO								LUMINA			
	2-DR COUPE Z34 R8L CWOI	1WX27 CWOI							4-DR SEDAN FLEET	1WL69 FLEET	
PRIZM											
	4-DR SEDAN	1SK19									
	4-DR SEDAN	1SK19 1SB									
	4-DR SEDAN CWOI	1SK19 CWOI									
	4-DR SEDAN LSI	1SK19 LSI									
CHRYSLER				CHRYSLER				CHRYSLER			
CIRRUS								SEBRING			
	4-DR SEDAN LXI	JACP41							2-DR CONVERTIBLE JX	JXCH27	
CONCORDE									2-DR CONVERTIBLE JXI	JXCP27	
	4-DR SEDAN LX	LHCH41							2-DR COUPE LX	FJCS22	
DODGE				DODGE				DODGE			
INTREPID				VIPER				NEON			
	4-DR SEDAN	LHDH41			2 SEAT COUPE GTS	SRDS29			2-DR COUPE BASE	PLDL22	
	4-DR SEDAN ES	LHDP41									
VIPER											
	2 SEAT RT/10 ROADSTER	SRD27									



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DECEMBER 31, 1997			DECEMBER 31, 1996			DECEMBER 31, 1995		
MAKE			MAKE			MAKE		
MDL	BODY STYLE	CODE	MDL	BODY STYLE	CODE	MDL	BODY STYLE	CODE
EAGLE			EAGLE			EAGLE		
			TALON					
			3-DR L/B FWD		FJXL24			
FERRARI			FERRARI			FERRARI		
			456GT					
			2+2 COUPE GT MANUAL		456 GT			
			2+2 COUPE GTA AUTO		456 GTA			
			550 MARANELLO					
			2-DR COUPE		550M			
			F355					
			2-DR SPIDER CONVERTIBLE		F355 S			
			2-DR TB COUPE		F355 TB			
			2-DR TS TARGA LIFT-ROOF		F355 TS			
FORD			FORD			FORD		
CONTOUR			CONTOUR			MUSTANG		
4-DR SEDAN SVT		P68	4-DR SEDAN BASE		P65	2-DR CONVERTIBLE COBRA		P46 COBRA
CROWN VICTORIA			ESCORT			2-DR COUPE COBRA		P47 COBRA
4-DR SEDAN		P73	4-DR SEDAN		P10	TAURUS		
4-DR SEDAN - FLEET		P72	4-DR SEDAN LX		P13	4-DR SEDAN GL		P52
4-DR SEDAN LX		P74	4-DR WAGON LX		P15	4-DR SEDAN LX		P53
4-DR SEDAN POLICE INTERCEPTOR		P71	TAURUS			4-DR WAGON GL		P57
ESCORT			4-DR SEDAN G		P51	4-DR WAGON LX		P58
2-DR COOL COUPE ZX2		P11 CC	4-DR SEDAN SHO		P54			
2-DR HOT COUPE ZX2		P11 HC						
HONDA			HONDA			HONDA		
ACCORD			ACCORD			ACCORD		
2-DR COUPE EX 3.0 AUTO		CG225	2-DR COUPE SPECIAL EDITION		CD720	4-DR SEDAN 25TH ANNIV. AUTO		CD568
2-DR COUPE EX 5-SP		CG315	4-DR SEDAN SPECIAL EDITION		CD560	4-DR SEDAN EX 2.7 AUTO		CE667
2-DR COUPE EX 5-SP W/LEATHER		CG315 L	4-DR SEDAN VALUE PKG. AUTO		CD569	CIVIC		
2-DR COUPE EX AUTO		CG325	CIVIC			2-DR COUPE DX 5-SP		EJ612
2-DR COUPE EX AUTO W/LEATHER		CG325 L	2-DR COUPE HX CVT		EJ722	2-DR COUPE DX AUTO		EJ622
2-DR COUPE LX 3.0 AUTO		CG224	DEL SOL			2-DR COUPE EX 5-SP		EJ814
2-DR COUPE LX 5-SP		CG314	2-DR COUPE S 5-SP		EH614	2-DR COUPE EX AUTO		EJ824
2-DR COUPE LX AUTO		CG324	2-DR COUPE S AUTO		EH624	2-DR COUPE EXA W/ABS 5-SP		EJ815
2-DR COUPE ULEV EX AUTO		CG327	2-DR COUPE SI 5-SP		EH616	2-DR COUPE EXA W/ABS AUTO		EJ825
2-DR COUPE ULEV EX AUTO W/LEATHER		CG327 L	2-DR COUPE SI AUTO		EH626	2-DR COUPE HX 5-SP		EJ712
4-DR SEDAN 3.0 LX AUTO		CG164	2-DR COUPE VTEC 5-SP		EG217	3-DR HATCHBACK CX 5-SP		EJ632
4-DR SEDAN DX 5-SP		CF854	PRELUDE			3-DR HATCHBACK CX AUTO		EJ642
4-DR SEDAN DX AUTO		CF864	2-DR COUPE 5-SP		BB614	3-DR HATCHBACK DX 5-SP		EJ634
4-DR SEDAN EX 5-SP		CG555	2-DR COUPE AUTO		BB624	3-DR HATCHBACK DX AUTO		EJ644
4-DR SEDAN EX 5-SP W/LEATHER		CG555 L	2-DR COUPE TYPE SH 5-SP		BB615	4-DR SEDAN DX 5-SP		EJ652
4-DR SEDAN EX AUTO		CG565				4-DR SEDAN DX AUTO		EJ662
4-DR SEDAN EX AUTO W/LEATHER		CG165 L				4-DR SEDAN EX 5-SP		EJ854
4-DR SEDAN EX AUTO W/LEATHER		CG565 L				4-DR SEDAN EX AUTO		EJ864
4-DR SEDAN LX 5-SP		CG554				4-DR SEDAN LX 5-SP		EJ650
4-DR SEDAN LX AUTO		CG564				4-DR SEDAN LX AUTO		EJ880
4-DR SEDAN LX AUTO W/ABS		CG564 ABS				4-DR SEDAN LXA W/AC/ABS 5-SP		EJ859
4-DR SEDAN ULEV EX AUTO		CG667				4-DR SEDAN LXA W/AC/ABS AUTO		EJ669
4-DR SEDAN ULEV EX AUTO W/LEATHER		CG667 L				4-DR SEDAN LXO W/AC 5-SP		EJ657
						4-DR SEDAN LXO W/AC AUTO		EJ667
						PRELUDE		
						2-DR COUPE SE 5-SP		BB217
						2-DR COUPE SE AUTO		BB227



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DECEMBER 31, 1997			DECEMBER 31, 1996			DECEMBER 31, 1995		
MAKE			MAKE			MAKE		
MDL	BODY STYLE	CODE	MDL	BODY STYLE	CODE	MDL	BODY STYLE	CODE
HYUNDAI			HYUNDAI			HYUNDAI		
ACCENT			ACCENT					
3-DR HATCHBACK GSI 5-SP		12343	3-DR HATCHBACK GS 5-SP		12333			
3-DR HATCHBACK GSI AUTO		12342	3-DR HATCHBACK GS AUTO		12332			
			3-DR HATCHBACK GT 5-SP		12353			
			3-DR HATCHBACK GT AUTO		12352			
			4-DR SEDAN GL 5-SP		12423			
			4-DR SEDAN GL AUTO		12422			
			ELANTRA					
			4-DR SEDAN 5-SP		41423			
			4-DR SEDAN AUTO		41422			
			4-DR SEDAN GLS 5-SP		41443			
			4-DR SEDAN GLS AUTO		41442			
			4-DR WAGON 5-SP		41523			
			4-DR WAGON AUTO		41522			
			4-DR WAGON GLS AUTO		41542			
			TIBURON					
			2-DR HATCHBACK 5-SP		51323			
			2-DR HATCHBACK AUTO		51322			
			2-DR HATCHBACK FX 5-SP		51343			
			2-DR HATCHBACK FX AUTO		51342			
INFINITI			INFINITI			INFINITI		
Q45			J30			I30		
4-DR SEDAN		9431	4-DR SEDAN		9751	4-DR SEDAN CLOTH 5-SP		9505
4-DR SEDAN TOURING		9481	Q45			4-DR SEDAN CLOTH AUTO		9501
			4-DR SEDAN AUTO		9421	4-DR SEDAN LEATHER AUTO		9561
			4-DR TOURING SEDAN AUTO		9471	4-DR TOURING SEDAN 5-SP		9575
						4-DR TOURING SEDAN AUTO		9571
JAGUAR			JAGUAR			JAGUAR		
XJ8			XJ			XJ		
4-DR SEDAN		XJ8	4-DR SEDAN XJ6L		XJ6L	4-DR SEDAN VANDEN PLAS		XJ6 VDP
4-DR SEDAN L		XJ8L	XK8			4-DR SEDAN XJ12		XJ12
4-DR SEDAN VANDEN PLAS		XJVDP	2-DR CONVERTIBLE		XK8 CON			
4-DR SEDAN XJR		XJR	2-DR COUPE		XK8 CPE			
KIA			KIA			KIA		
SEPHIA			SEPHIA			SEPHIA		
4-DR SEAN LS AUTO W/PWR PKG		14242	4-DR SEDAN LS 1.6 5-SP CA		12221	4-DR SEDAN GS 1.8 5-SP		13241
4-DR SEDAN AUTO		14202				4-DR SEDAN GS 1.8 AUTO		13242
4-DR SEDAN LS 5-SP		14221				4-DR SEDAN LS 1.8 5-SP		13221
4-DR SEDAN LS 5-SP W/PWR PKG		14241				4-DR SEDAN LS 1.8 AUTO		13222
4-DR SEDAN LS AUTO		14222				4-DR SEDAN RS 1.6 5-SP CA		12201
4-DR SEDAN RS 5-SP		14201				4-DR SEDAN RS 1.6 AUTO CA		12202
						4-DR SEDAN RS 1.8 5-SP		13201
						4-DR SEDAN RS 1.8 AUTO		13202
LEXUS			LEXUS			LEXUS		
GS 300 SEDAN			ES 300 SEDAN					
4-DR LUXURY SPORT AUTO		9300	4-DR SPORT AUTO		9000			
4-DR LUXURY SPORT AUTO C/VNY		9310	4-DR SPORT AUTO C/VNY		9010			
GS 400 SEDAN								
4-DR LUXURY SPORT AUTO		9320						
4-DR LUXURY SPORT AUTO C/VNY		9330						



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W/RT NEW VEHICLE INVENTORIES FOR TAXABLE YEARS ENDING ON DECEMBER 31, 1997 - 1996 - 1995

DECEMBER 31, 1997			DECEMBER 31, 1996			DECEMBER 31, 1995		
MAKE			MAKE			MAKE		
MDL	BODY STYLE	CODE	MDL	BODY STYLE	CODE	MDL	BODY STYLE	CODE
LINCOLN			LINCOLN			LINCOLN		
TOWN CAR			CONTINENTAL					
	4-DR CARTIER	M83		4-DR SEDAN CALIF EDITION	M97 CMNY			
	4-DR CARTIER CMNYC	M83 CMNYC	MARK VIII					
	4-DR EXECUTIVE	M81		2-DR COUPE LSC	M92			
	4-DR EXECUTIVE CMNYC	M81 CMNYC		2-DR COUPE LSC CALIF EDITION	M92 CA			
	4-DR SIGNATURE	M82	TOWN CAR					
	4-DR SIGNATURE CMNYC	M82 CMNYC		4-DR CARTIER CALIF EDITION	M83 CMNY			
				4-DR EXECUTIVE CALIF EDITION	M81 CMNY			
				4-DR SIGNATURE CALIF EDITION	M82 CMNY			
MAZDA			MAZDA			MAZDA		
626	4-DR SEDAN DX 5-SP	626DX	MX-6	2-DR M-EDITION	MX6 M-ED	MX-6	2-DR COUPE LS	MX6LS
	4-DR SEDAN ES AUTO	626ES AUTO						
	4-DR SEDAN ES V8 5-SP	626ES						
	4-DR SEDAN LX 5-SP	626LX						
	4-DR SEDAN LX V6 5-SP	626LX V6						
MX-5 MIATA								
	2-DR CONVERTIBLE STO-ED	NA35 STO						
MERCEDES			MERCEDES			MERCEDES		
CLK	CLK320 2-DR COUPE AUTO	CLK320	C CLASS			C CLASS		
E CLASS				C230 4-DR SEDAN AUTO	C230W	C36 4-DR SEDAN AUTO C36AMG		
	E320 4-DR SEDAN AUTO AWD	E320W A	E CLASS			E CLASS		
	E320 STATION WAGON AUTO	E320S		E420 4-DR SEDAN AUTO	E420W	E 300 4-DR SEDAN DIESEL AUTO E300DW		
	E320 STATION WAGON AUTO AWD	E320S A				E320 4-DR SEDAN AUTO E320W		
SLK	SLK230 2-DR COUPE/ROADSTER AUTO	SLK230						
MERCURY			MERCURY			MERCURY		
GRAND MARQUIS			MYSTIQUE			SABLE		
	4-DR SEDAN GS	M74		4-DR SEDAN BASE	M65 BASE		4-DR SEDAN GS	M50
	4-DR SEDAN LS	M75	SABLE				4-DR SEDAN LS	M53
SABLE				4-DR SEDAN G	M51		4-DR WAGON GS	M55
	4-DR SEDAN LS CA	M53 CA	TRACER				4-DR WAGON LS	M58
	4-DR WAGON LS CA	M58 CA		4-DR SEDAN GS	M10 GS			
				4-DR SEDAN LS	M13 LS			
				4-DR WAGON LS	M15 LS			
MITSUBISHI			MITSUBISHI			MITSUBISHI		
DIAMANTE			DIAMANTE			3000GT		
	4-DR SEDAN ES AUTO	DM42-B		4-DR SEDAN LS AUTO	DM42-U		SPYDER SL AUTO	GT28-P A
GALANT			ECLIPSE				SPYDER VR-4 6-SP	GT28-T M
	4-DR SEDAN ES 5-SP	GA41-G 5-SP		2-DR SPYDER GS CONVERT. 5-SP	EC28-S 5M	DIAMANTE		
				2-DR SPYDER GS CONVERT. AUTO	EC28-S A		4-DR SEDAN ES AUTO	DM42-P
				2-DR SPYDER GS-T CONVERT. 5-SP	EC28-T 5M			
				2-DR SPYDER GS-T CONVERT. AUTO	EC28-T A			
				3-DR COUPE BASE 5-SP	EC24-L 5M			
				3-DR COUPE BASE AUTO	EC24-L A			
			GALANT					
				4-DR SEDAN DE 5-SP	GA41-N 5M			
				4-DR SEDAN DE AUTO	GA41-N A			
			MIRAGE					
				2-DR COUPE DE 5-SP	MG21-E 5M			
				2-DR COUPE DE AUTO	MG21-E A			
				2-DR COUPE LS 5-SP	MG21-M 5M			
				2-DR COUPE LS AUTO	MG21-M A			
				4-DR SEDAN DE 5-SP	MG41-L 5M			
				4-DR SEDAN DE AUTO	MG41-L A			
				4-DR SEDAN LS 5-SP	MG41-M 5M			
				4-DR SEDAN LS AUTO	MG41-M A			



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DECEMBER 31, 1997			DECEMBER 31, 1996			DECEMBER 31, 1995		
MDL	BODY STYLE	CODE	MDL	BODY STYLE	CODE	MDL	BODY STYLE	CODE
NISSAN			NISSAN			NISSAN		
240SX						200SX		
	2-DR COUPE LE 5-SP	2635					2-DR COUPE 5-SP	0115
	2-DR COUPE LE AUTO	2631					2-DR COUPE AUTO	0111
ALTIMA							2-DR COUPE SE 5-SP	0125
	4-DR SEDAN GLE AUTO	0581					2-DR COUPE SE AUTO	0121
	4-DR SEDAN GXE 5-SP	0575					2-DR COUPE SE-R 5-SP	0145
	4-DR SEDAN GXE AUTO	0571					2-DR COUPE SE-R AUTO	0141
	4-DR SEDAN SE 5-SP	0595				SENTRA		
	4-DR SEDAN SE AUTO	0591					4-DR SEDAN 5-SP	4205
	4-DR SEDAN XE 5-SP	0565					4-DR SEDAN GLE 5-SP	4255
	4-DR SEDAN XE AUTO	0561					4-DR SEDAN GLE AUTO	4251
SENTRA							4-DR SEDAN GXE 5-SP	4225
	4-DR SEDAN SE 5-SP	4245					4-DR SEDAN GXE AUTO	4221
	4-DR SEDAN SE AUTO	4241					4-DR SEDAN XE 5-SP	4215
							4-DR SEDAN XE AUTO	4211
OLDSMOBILE			OLDSMOBILE			OLDSMOBILE		
INTRIGUE			ACHIEVA			ACHIEVA		
	4-DR SEDAN	3WH69		2-DR COUPE SC - SERIES I CWOI	L37 R7A-R		2-DR COUPE SC - FLEET	L37 1SB-F
	4-DR SEDAN GL	3WS69		2-DR COUPE SC - SERIES II CWOI	L37 R7B-R		2-DR COUPE SC - SERIES I	L37 1SA
				4-DR SEDAN SL - SERIES I	L69 R7A		2-DR COUPE SC - SERIES II	L37 1SB
				4-DR SEDAN SL - SERIES I CWOI	L69 R7A-R		2-DR COUPE SC - SERIES III	L37 1SC
				4-DR SEDAN SL - SERIES II CWOI	L69 R7B-R		4-DR SEDAN SL - FLEET	L69 1SB-F
							4-DR SEDAN SL - SERIES II	L69 1SB
							4-DR SEDAN SL - SERIES III	L69 1SC
			AURORA			AURORA		
				4-DR SEDAN REGIONAL CWOI	R69 R7A-R		4-DR SEDAN	R29 1SA
			CUTLASS			CIERA		
				4-DR SEDAN	B69 R7A		4-DR SEDAN SL - FLEET	J69 1SA-F
				4-DR SEDAN GLS	G69 R7C		4-DR SEDAN SL - SERIES I	J69 1SB
			CUTLASS SUPREME				4-DR SEDAN SL - SERIES II	J69 1SC
				2-DR COUPE SL - SERIES I CWOI	H47 R7A-R		4-DR WAGON SL	J35 1SB
				2-DR COUPE SL - SERIES II CWOI	H47 R7B-R		4-DR WAGON SL - FLEET	J35 1SA-F
				2-DR COUPE SL - SERIES III CWOI	H47 R7C-R	CUTLASS SUPREME		
				4-DR WAGON SL - SERIES I CWOI	H69 R7A-R		2-DR COUPE SL - FLEET	H47 1SB-F
				4-DR SEDAN SL - SERIES II CWOI	H69 R7B-R		2-DR COUPE SL - SERIES I	H47 1SA
				4-DR SEDAN SL - SERIES III CWOI	H69 R7C-R		2-DR COUPE SL - SERIES II	H47 1SB
			EIGHTY EIGHT				2-DR COUPE SL - SERIES III	H47 1SC
				4-DR SEDAN LS REGIONAL CWOI	N69 R7B-R		2-DR COUPE SL - SERIES IV	H47 1SD
				4-DR SEDAN REGIONAL CWOI	N69 R7A-R		4-DR SEDAN SL - FLEET	H69 1SB-F
			LSS				4-DR SEDAN SL - SERIES I	H69 1SA
				4-DR SEDAN REGIONAL CWOI	Y69 R7C-R		4-DR SEDAN SL - SERIES II	H69 1SB
			REGENCY				4-DR SEDAN SL - SERIES III	H69 1SC
				4-DR SEDAN	C69 R7D		4-DR SEDAN SL - SERIES IV	H69 1SD
				4-DR SEDAN REGIONAL CWOI	C69 R7D-R	EIGHTY EIGHT		
							4-DR SEDAN	N69 1SA
							4-DR SEDAN - FLEET	N69 1SA-F
							4-DR SEDAN LS	N69 1SB
						LSS		
							4-DR SEDAN	Y69 1SA
						NINETY EIGHT		
							4-DR REG. ELITE - SERIES II C.S.E...	CX69 R7CCA
							4-DR REGENCY ELITE-SERIES I	X69 1SB
							4-DR REGENCY ELITE-SERIES II	X69 1SC
PLYMOUTH			PLYMOUTH			PLYMOUTH		
NEON			BREEZE			BREEZE		
	2-DR COUPE COMPETITION	PLPL22		4-DR SEDAN	JAPH41		4-DR SEDAN	JAPH41
	4-DR SEDAN COMPETITION	PLPL42				NEON		
PROWLER							2-DR COUPE BASE	PLPL22
	2-SEAT ROADSTER	PRPS27						



**NEW ITEM CATEGORIES FOR NEW AUTOMOBILES
UNDER THE ALTERNATIVE LIFO (LAST-IN, FIRST-OUT) METHOD FOR AUTOMOBILE DEALERS
REVENUE PROCEDURES 97-36 & 92-79**

**AUTOS
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WR/T NEW VEHICLE INVENTORIES FOR TAXABLE YEARS ENDING ON DECEMBER 31, 1997 - 1996 - 1995

DECEMBER 31, 1997			DECEMBER 31, 1996			DECEMBER 31, 1995					
MDL	BODY STYLE	MAKE	CODE	MDL	BODY STYLE	MAKE	CODE	MDL	BODY STYLE	MAKE	CODE
PONTIAC				PONTIAC				PONTIAC			
BONNEVILLE				FIREBIRD				SUNFIRE			
4-DR SEDAN 1SH CWOI			2HX69 1SH	2-DR CONVERTIBLE 1SG CMI			S67 1SG	2-DR CONVERTIBLE SE			B67S
4-DR SEDAN SSE 1SG CWOI			2HZ69 1SG	GRAND PRIX				2-DR COUPE GT			D37S
FIREBIRD				2-DR COUPE GT			P37				
2-DR CONVERT. TRANS AM 1SG CWOI			2FV87 1SG	4-DR SE SEDAN 1SG CALIF. V.P.			J69 1SG				
2-DR COUPE 1SH CWOI			2FS87 1SH	4-DR SEDAN GT			P69				
GRAND AM				4-DR SEDAN SE			J69				
2-DR COUPE GT 1SH CWOI			2NW37 1SH								
2-DR COUPE SE 1SH CWOI			2NE37 1SH								
4-DR SEDAN GT 1SH CWOI			2NW69 1SH								
GRAND PRIX											
4-DR SEDAN GT 1SH CWOI			2WP69 1SH								
4-DR SEDAN SE 1SH CWOI			2WJ69 1SH								
PORSCHE				PORSCHE				PORSCHE			
BOXTER								911 CARRERA SERIES			
2-SEAT CABRIO 5-SP			986310					2-DR 4S COUPE 5-SP			993140
2-SEAT CABRIO TIPTRONIC			986310 TIP					2-DR COUPE TARGA 6-SP			993410
								2-DR COUPE TARGA TIPTRONIC			993410 TIP
								2-DR COUPE TURBO			993770
ROLLS ROYCE				ROLLS ROYCE				ROLLS ROYCE			
BENTLEY				BENTLEY				BENTLEY			
TURBO RT LWB			BENTLEY BTRTL	CONTINENTAL T			BENTLEY BCT	AZURE			BENTLEY BA
TURBO RT MULLINER			BENTLEY BTRTM	ROLLS-ROYCE							
TURBO RT SWB			BENTLEY BTRTS	PARK WARD LIMOUSINE			ROLLS RRPWL				
ROLLS-ROYCE											
SILVER SPUR (W/DIVISION)			ROLLS RRSSWD								
SILVER SPUR PARK WARD			ROLLS RRPW								
SAAB				SAAB				SAAB			
900 SERIES				9000 SERIES				900 SERIES			
2-DR CONV T SE TALLEDEGA 5-SP			982	5-DR CS CAMPAIGN CAR			35	5-DR HATCHBACK SE TURBO TM			965
2-DR COUPE SE TALLEDEGA 5-SP			983					5-DR HATCHBACK SE V6 AUTO			975
3-DR COUPE S			923								
5-DR HBK SE TALLEDEGA 5-SP			985								
9000 SERIES											
5-DR HATCHBACK CSE AUTO			065 A								
5-DR HBK TURBO ANNIV			085								
SATURN				SATURN				SATURN			
				SC1				SL			
				2-DR COUPE 5-SP			ZZE27	4-DR SEDAN 5-SP			ZZF69
				2-DR COUPE AUTO			ZZF27	SL1			
				SC2				4-DR SEDAN 5-SP			ZZG69
				2-DR COUPE 5-SP			ZZG27	4-DR SEDAN AUTO			ZZH69
				2-DR COUPE AUTO			ZZH27	SL2			
								4-DR TOURING SEDAN 5-SP			ZZJ69
								4-DR TOURING SEDAN AUTO			ZZK69
								SW1			
								4-DR WAGON 5-SP			ZZG35
								4-DR WAGON AUTO			ZZH35
								SW2			
								4-DR WAGON 5-SP			ZZJ35
								4-DR WAGON AUTO			ZZK35



**NEW ITEM CATEGORIES FOR NEW AUTOMOBILES
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REVENUE PROCEDURES 97-36 & 92-79**

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W/RT NEW VEHICLE INVENTORIES FOR TAXABLE YEARS ENDING ON DECEMBER 31, 1997 - 1996 - 1995

DECEMBER 31, 1997				DECEMBER 31, 1996				DECEMBER 31, 1995			
MAKE				MAKE				MAKE			
MDL	BODY STYLE	MAKE	CODE	MDL	BODY STYLE	MAKE	CODE	MDL	BODY STYLE	MAKE	CODE
SUBARU				SUBARU				SUBARU			
IMPREZA				IMPREZA				IMPREZA			
2-DR COUPE 2.5 RS AWD 5-SP		MC		2-DR COUPE BRIGHTON AWD AUTO		MB		2-DR COUPE BRIGHTON AWD 5-SP		MR	
2-DR COUPE 2.5 RS AWD AUTO		MD		4-DR WAGON L AWD AUTO		LB		2-DR COUPE LX AWD 5-SP		MW	
LEGACY				4-DR WAGON OUTBACK SPORT AWD 5M		LC		LEGACY			
4-DR SEDAN GT LTD AWD AUTO		AG		4-DR WAGON OUTBACK SPORT AWD AUT LD				4-DR SEDAN GT AWD AUTO		AR	
4-DR WGN OUTBACK LTD AWD W/DUAL		BZ		LEGACY				4-DR SEDAN L ABS/AWD 5-SP		AL	
				4-DR SEDAN GT AWD 5-SP		AD		4-DR WAGON GT AWD AUTO		BU	
				4-DR SEDAN GT AWD AUTO		AE		4-DR WAGON OUTBACK C/PK AWD 5-SP		BY	
				5-DR WAGON GT AWD 5-SP		BF		4-DR WAGON OUTBACK C/PK AWD AUT		BZ	
				5-DR WAGON OUTBACK LTD AWD 5M		BY					
				5-DR WAGON OUTBACK LTD AWD A		BZ					
				5-DR WAGON POSTAL R-H DR AWD A		BJ					
SUZUKI				SUZUKI				SUZUKI			
ESTEEM				ESTEEM				ESTEEM			
4-DR WAGON GL 5-SP		WGN632		4-DR SEDAN GL 5-SP		SGL632		4-DR SEDAN GL 5-SP		SGL632	
4-DR WAGON GL AUTO		WGN642		4-DR SEDAN GL AUTO		SGL642		4-DR SEDAN GLX 5-SP		SGL635	
4-DR WAGON GLX 5-SP		WGN63E		4-DR SEDAN GLX 5-SP		SGL635		4-DR SEDAN GLX AUTO		SGL645	
4-DR WAGON GLX AUTO		WGN64E		4-DR SEDAN GLX PLUS 5-SP		SGL63F		4-DR SEDAN GLX PLUS 5-SP		SGL63F	
4-DR WAGON GLX PLUS AUTO		WGN64F		4-DR SEDAN GLX PLUS AUTO		SGL64F		4-DR SEDAN GLX PLUS AUTO		SGL64F	
TOYOTA				TOYOTA				TOYOTA			
COROLLA				CAMRY				PASEO			
4-DR SEDAN CE 5-SP		1721		4-DR SEDAN CE 5-SP		2525		2-DR COUPE 5-SP		1525	
4-DR SEDAN CE AUTO		1722		4-DR SEDAN CE AUTO		2526		2-DR COUPE AUTO		1526	
4-DR SEDAN LE 5-SP		1737		4-DR SEDAN CE V6 5-SP		2527		SUPRA			
4-DR SEDAN LE AUTO		1738		4-DR SEDAN LE AUTO		2532		3-DR L/B SE 5-SP		2301	
4-DR SEDAN VE 5-SP		1714		4-DR SEDAN LE V6 AUTO		2534		3-DR L/B SE AUTO		2300	
4-DR SEDAN VE AUTO		1715		4-DR SEDAN XLE AUTO		2540					
				4-DR SEDAN XLE V6 AUTO		2544					
				CELICA							
				2-DR CONVERT GT LTD ED 5-SP		2187					
				2-DR CONVERT GT LTD ED AUTO		2186					
				3-DR LIFTBACK ST LTD ED 5-SP		2189					
				3-DR LIFTBACK ST LTD ED AUTO		2168					
				COROLLA							
				4-DR SEDAN CLASSIC ED 5-SP		1709					
				4-DR SEDAN CLASSIC ED AUTO		1708					
				PASEO							
				2-DR CONVERTIBLE 5-SP		1583					
				2-DR CONVERTIBLE AUTO		1584					
				SUPRA							
				3-DR L/B SPORT ROOF TURBO 6-SP		2383					
				TERCEL							
				2-DR HAWK LTD ED 5-SP		1309					
				2-DR HAWK LTD ED AUTO		1310					
				2-DR SEDAN CE 5-SP		1307					
				2-DR SEDAN CE AUTO		1308					
				4-DR SEDAN CE 5-SP		1327					
				4-DR SEDAN CE AUTO		1328					



**NEW ITEM CATEGORIES FOR NEW AUTOMOBILES
UNDER THE ALTERNATIVE LIFO (LAST-IN, FIRST-OUT) METHOD FOR AUTOMOBILE DEALERS
REVENUE PROCEDURES 97-36 & 92-79**

**AUTOS
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W/R/T NEW VEHICLE INVENTORIES FOR TAXABLE YEARS ENDING ON DECEMBER 31, 1997 - 1996 - 1995

DECEMBER 31, 1997			DECEMBER 31, 1996			DECEMBER 31, 1995		
MAKE			MAKE			MAKE		
MDL	BODY STYLE	CODE	MDL	BODY STYLE	CODE	MDL	BODY STYLE	CODE
VOLKSWAGEN			VOLKSWAGEN			VOLKSWAGEN		
BEETLE			CABRIO			GOLF		
2-DR HATCHBACK 5-SP		1C13L4	2-DR CONVERTIBLE BASE 5-SP		1E72Q4	2-DR HATCHBACK GTI 2.0L 5-SP		1H15Q4
2-DR HATCHBACK AUTO		1C13L3	2-DR CONVERTIBLE BASE AUTO		1E72Q3	2-DR HATCHBACK GTI 2.0L AUTO		1H15Q3
2-DR HATCHBACK TDI 5-SP		1C1354	2-DR CONVERTIBLE HIGHLINE 5-SP		1E73Q4	4-DR CELEBRATION ED 5-SP		1H10Q4
2-DR HATCHBACK TDI AUTO		1C1353	2-DR CONVERTIBLE HIGHLINE AUTO		1E73Q3	4-DR CELEBRATION ED AUTO		1H10Q3
CABRIO			GOLF			JETTA		
2-DR CONVERTIBLE BASE CNYM 5-SP		1V72M4	4-DR HATCHBACK GL HARLEQUIN AUTO		1H1BQ3	4-DR CELEBRATION ED 5-SP		1H24Q4 CE
2-DR CONVERTIBLE BASE CNYM AUTO		1V72M3	4-DR HATCHBACK K2 5-SP		1H1RQ4	4-DR CELEBRATION ED AUTO		1H24Q3 CE
2-DR CONVERTIBLE GLS CNYM 5-SP		1V73M4	4-DR HATCHBACK K2 AUTO		1H1RQ3	4-DR HATCHBACK CITY 5-SP		1H21Q4
2-DR CONVERTIBLE GLS CNYM AUTO		1V73M3	4-DR HATCHBACK K2 CNYM 5-SP		1H1RM4	PASSAT		
JETTA			4-DR HATCHBACK K2 CNYM AUTO		1H1RM3	4-DR SEDAN GLS 4 CYL 5-SP		3A23G5
4-DR MUSIC ED 5-SP		1H2UM4	4-DR HATCHBACK TDI 5-SP		1H1334	4-DR SEDAN GLS 4 CYL AUTO		3A23G8
4-DR SEDAN K2 5-SP		1W2LQ4	4-DR HATCHBACK TDI AUTO		1H1333	4-DR SEDAN TDI 5-SP		3A23Y5
4-DR SEDAN K2 AUTO		1W2LQ3	JETTA			4-DR SEDAN TDI AUTO		3A23Y8
4-DR SEDAN K2 CNYM 5-SP		1W2LM4	4-DR SEDAN GT 5-SP		1H2PQ4	4-DR WAGON TDI 5-SP		3A53Y5
4-DR SEDAN K2 CNYM AUTO		1W2LM3	4-DR SEDAN GT AUTO		1H2PQ3	4-DR WAGON TDI AUTO		3A53Y8
PASSAT			4-DR SEDAN GT CNYM 5-SP		1H2PM4			
4-DR SEDAN GLS 5-SP		3B24K5	4-DR SEDAN GT CNYM AUTO		1H2PM3			
4-DR SEDAN GLS AUTO		3B24K9	4-DR SEDAN TDI 5-SP		1H2334			
4-DR SEDAN GLS TDI 5-SP		3B2445	4-DR SEDAN TDI AUTO		1H2333			
4-DR SEDAN GLS TDI AUTO		3B2448	4-DR SEDAN TREK 5-SP		1H2QQ4			
4-DR SEDAN GLS V6 5-SP		3B24S5	4-DR SEDAN TREK AUTO		1H2QQ3			
4-DR SEDAN GLS V6 AUTO		3B24S9	4-DR SEDAN WOLFSBURG 5-SP		1H2WQ4			
4-DR SEDAN GLX 5-SP		3B25S5						
4-DR SEDAN GLX AUTO		3B25S9						
VOLVO			VOLVO			VOLVO		
70 SERIES			850 SERIES			850 SERIES		
5-DR WAGON AWD XC AUTO		V70AWXC	4-DR SEDAN GLT AUTO		854GLT	4-DR SEDAN 5-SP		854 O
C70 2-DR COUPE 5-SP		C70M	4-DR SEDAN R AUTO		854T5A	4-DR SEDAN AUTO		854 A
C70 2-DR COUPE AUTO		C70A	4-DR SEDAN T5 AUTO		854T5	4-DR SEDAN LIMITED ED AUTO		854T5A
S70 4-DR SEDAN T5 5-SP		S70T5M	5-DR WAGON GLT AUTO		855GLT	4-DR SEDAN LTD ED AUTO		854 TLA
V70 5-DR WAGON R AWD AUTO		V70RAWA	5-DR WAGON R AUTO		855T5A	5-DR WAGON 5-SP		855 O
V70 5-DR WAGON T5 5-SP		V70T5M	5-DR WAGON T5 AUTO		855T5	5-DR WAGON AUTO		855 A
						5-DR WAGON LIMITED ED AUTO		855T5A
						5-DR WAGON LTD ED AUTO		855 TLA



DE FILIPPS'

LIFO LOOKOUT

1998

NEW ITEM REPORT

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**NEW ITEM CATEGORIES FOR NEW LIGHT-DUTY TRUCKS
UNDER THE ALTERNATIVE LIFO (LAST-IN, FIRST-OUT) METHOD FOR AUTOMOBILE DEALERS
REVENUE PROCEDURES 97-36 & 92-79
W/RT NEW VEHICLE INVENTORIES FOR TAXABLE YEARS ENDING ON DECEMBER 31, 1997 - 1996 - 1995**

LIGHT-DUTY TRUCKS
PAGE 1 OF 7

DECEMBER 31, 1997			DECEMBER 31, 1996			DECEMBER 31, 1995		
MDL	BODY STYLE	CODE	MDL	BODY STYLE	CODE	MDL	BODY STYLE	CODE
ACURA			ACURA			ACURA		
SLX SPORT UTILITY	4-DR AUTO 3.5 4WD	9C427				SLX SPORT UTILITY	4-DR AUTO	9C326
							4-DR AUTO W/PREMIUM PKG	9C327
CHEVROLET/GEO			CHEVROLET/GEO			CHEVROLET/GEO		
BLAZER			C-K PICKUP			CHEVY VAN		
4-DR LS PLUS W/1SX CWOI	CS10506 1SX		2WD C1500 F/S V6 R8L SVC	CC10903 CR8L6		G30 EXT 146	CG31605	
4-DR LS W/1SW CWOI	CS10506 1SW		CHEVY VAN			GEO TRACKER		
4-DR LS W/1SX CWOI	CT10506 1SX		G10 2WD 135 WB W/R9S	CG11405 4R9S		2-DR 2WD CONVERTIBLE LSI	CE10367 LSI	
4-DR LT W/1SW CWOI	CT10506 1SW		G10 2WD 135 WB W/YF7	CG11405 YF7		4-DR 2WD HARDTOP	CE10305	
4-DR LT W/1SY CWOI	CS10506 1SY		G20 2WD 135 WB W/R9S	CG21405 R9S		4-DR 2WD HARDTOP LSI	CE10305 LSI	
4-DR LT W/1SY CWOI	CT10506 1SY		G20 2WD 135 WB W/YF7	CG21405 YF7		4-DR 4WD HARDTOP	CJ10305	
C-K PICKUP			G20 2WD 155 WB W/R9S	CG21705 R9S		4-DR 4WD HARDTOP LSI	CJ10305 LSI	
2WD C1500 F/S EXT CWOI	CC10753 CWOI		G20 2WD 155 WB W/YF7	CG21705 YF7		TAHOE		
2WD C1500 S/S XCAB SWB SILVERADO	CC10753 SSS		G30 2WD 135 WB W/R9S	CG31405 R9S		2-DR 2WD	CC10516	
2WD F/S EXT CWOI	CC10953 CWOI		G30 2WD 135 WB W/YF7	CG31405 YF7		4-DR 2WD	CC10706	
4WD K1500 S/S XCAB SWB SILVERADO	CK10753 SSS		G30 2WD 155 WB W/R9S	CG31705 R9S		4-DR 4WD	CK10706	
S10 PICKUP			G30 2WD 155 WB W/YF7	CG31705 YF7				
2WD F/S EXT CAB LS 1ST CWOI	CS10653 FLS1ST		COMMERCIAL CUTAWAY VAN					
2WD F/S EXT CAB LS 1SW CWOI	CS10653 1SW		COMM. CUTAWAY VAN 09,500 LBS.	CG31503 E23				
2WD S/S EXT CAB LS 1ST CWOI	CS10653 1ST		COMM. CUTAWAY VAN 10,000 LBS.	CG31503 C7A				
2WD S/S REG CAB LS 1ST CWOI	CS10603 1ST		COMM. CUTAWAY VAN 10,000 LBS.	CG31803 C7A				
SUBURBAN			COMM. CUTAWAY VAN 11,000 LBS.	CG31503 C7E				
2WD C1500 CWOI	CC10906 CWOI		COMM. CUTAWAY VAN 11,000 LBS.	CG31803 C7E				
4WD C1500 CWOI	CK10906 CWOI		COMM. CUTAWAY VAN 12,000 LBS.	CG31503 C7L				
TAHOE			COMM. CUTAWAY VAN 12,000 LBS.	CG31803 C7L				
4-DR 2WD CWOI	CC10706 CWOI		COMM. CUTAWAY VAN 12,000 LBS.	CG31903 C7L				
4-DR 4WD CWOI	CK10706 CWOI		EXPRESS					
TRACKER			G10 2WD 135 WB	CG11406				
2-DR 2WD CONVERTIBLE CWOI	CE10367 CWOI		G20 2WD 135 WB	CG21406				
2-DR 4WD CONVERTIBLE CWOI	CJ10367 CWOI		G20 2WD EXT 155 WB	CG21706				
4-DR 2WD HARDTOP CWOI	CE10305 CWOI		G30 2WD 135 WB	CG31406				
4-DR 4WD HARDTOP CWOI	CJ10305 CWOI		G30 2WD EXT 155 WB	CG31706				
VENTURE			F.C. CHASSIS					
3-DR CARGO EXT WB	1UM06 Z10		FORWARD CONTROL CHASSIS	CP30542				
4-DR CARGO EXT WB	1UM16 Z10		FORWARD CONTROL CHASSIS	CP30842				
4-DR CARGO EXT WB 1SW CWOI	1UM16 1SW		FORWARD CONTROL CHASSIS	CP31042				
			FORWARD CONTROL CHASSIS	CP31442				
			FORWARD CONTROL CHASSIS	CP31842				



**NEW ITEM CATEGORIES FOR NEW LIGHT-DUTY TRUCKS
 UNDER THE ALTERNATIVE LIFO (LAST-IN, FIRST-OUT) METHOD FOR AUTOMOBILE DEALERS
 REVENUE PROCEDURES 97-36 & 92-79
 W/RT NEW VEHICLE INVENTORIES FOR TAXABLE YEARS ENDING ON DECEMBER 31, 1997 - 1996 - 1995**

LIGHT-DUTY
TRUCKS
PAGE 2 OF 7

DECEMBER 31, 1997				DECEMBER 31, 1996				DECEMBER 31, 1995			
MAKE				MAKE				MAKE			
MDL	BODY STYLE	CODE		MDL	BODY STYLE	CODE		MDL	BODY STYLE	CODE	
CHEVROLET/GEO				CHEVROLET/GEO				CHEVROLET/GEO			
				S10 PICKUP							
				2WD F/S EXT CAB 6CYL R&L (CM) CS10653 CR8L6							
				2WD S/S EXT CAB LS 122 WB CS10653 SLS							
				2WD S/S REG CAB LS 108 WB CS10603 SLS							
				4WD S/S EXT CAB LS 122 WB CT10653 SLS							
				4WD S/S REG CAB LS 108 WB CT10603 SLS							
				VENTURE							
				3-DR EXT WB 1UM06							
				3-DR REG WB 1UN06							
				4-DR EXT WB 1UM16							
				4-DR REG WB 1UN16							
CHRYSLER				CHRYSLER				CHRYSLER			
				TOWN & COUNTRY				TOWN & COUNTRY			
				MPV LX AWD NSCP53				MPV BASE FWD 119 WB NSYP53			
				MPV LXI AWD NSCS53				MPV LX FWD 113 WB NSYP52			
								MPV LXI FWD 119 WB NSYS53			
DODGE				DODGE				DODGE			
DURANGO				CARAVAN				CARAVAN			
4-DR 4WD WAGON DN5L74				GRAND CARAVAN ES AWD NSDP53 ES				CARAVAN BASE NSKL52 B			
RAM PICKUP				GRAND CARAVAN LE AWD NSDP53 SE				CARAVAN ES NSKP52 ES			
2WD BR1500 QUAD CAB LWB BE1L34				GRAND CARAVAN SE AWD NSDH53 SE				CARAVAN LE NSKP52 LE			
2WD BR1500 QUAD CAB SWB BE1L33				DAKOTA				CARAVAN SE NSKH52 SE			
2WD BR2500 QUAD CAB LWB BE2L34				4X2 CLUB CAB 131WB AN1L31				GRAND CARAVAN BASE NSKH53 B			
2WD BR2500 QUAD CAB SWB BE2L33				4X2 REG CAB 112WB AN1L61				GRAND CARAVAN ES NSKP53 ES			
2WD BR3500 QUAD CAB DRW BE3L34				4X2 REG CAB 124WB AN1L62				GRAND CARAVAN LE NSKP53 LE			
4WD BR1500 QUAD CAB LWB BE6L34				4X4 CLUB CAB 131WB AN5L31				GRAND CARAVAN SE NSKH53 SE			
4WD BR1500 QUAD CAB SWB BE6L33				4X4 REG CAB 112WB AN5L61				RAM PICKUP			
4WD BR2500 QUAD CAB LWB BE7L33								2WD BR2500 CLUB CAB SWB 139 BR2L31			
4WD BR2500 QUAD CAB LWB BE7L34								4WD BR2500 CLUB CAB SWB 139 BR7L31			
4WD BR3500 QUAD CAB 4WD DRW BE8L34											
RAM VANS											
B1500 MAXI-VAN 127 WB AB1L13											
FORD				FORD				FORD			
RANGER				CUTAWAY VAN				CUTAWAY VAN			
4X2 REG CAB SPLASH 112 WB R10 SPL112				COMM STRIPPED CHASSIS SRW 124 WB E29 SRW124				COMM STRIPPED CHASSIS SRW 158 WB E39 SRW158			
4X2 REG CAB XL 112 WB R10 XL112				COMM CUTAWAY DRW S.D. 158 WB E47 DRW158				F SERIES PICKUP			
4X2 REG CAB XL 118 WB R10 XL118				COMM CUTAWAY DRW S.D. 176 WB E47 DRW176				4X2 F250 CREW CAB HD 152 W25 HD152			
4X2 REG CAB XLT 112 WB R10 XLT112				RV CUTAWAY DRW S.D. 158 WB E40 DRW158				4X2 F250 SUPERCAB HD 139 X25 HD139			
4X2 REG CAB XLT 118 WB R10 XLT118				RV CUTAWAY DRW S.D. 176 WB E40 DRW176				4X2 F350 REG CAB SRW 133 F35 133			
4X2 SUPERCAB SPLASH 126 WB R14 SPL126				EXPEDITION				4X4 F250 CREW CAB HD 152 W26			
4X2 SUPERCAB XL 126 WB R14 XL126				4-DR WAGON EDDIE BAUER 2WD U17 EB				4X4 F250 SUPERCAB HD 139 X26 HD139			
4X2 SUPERCAB XLT 126 WB R14 XLT126				4-DR WAGON EDDIE BAUER 4WD U18 EB				F150 PICKUP			
4X4 REG CAB SPLASH 112 WB R11 SPL112				4-DR WAGON XLT 2WD U17 XLT				4X2 FLARESIDE LARIAT SWB F07 LSWB			
4X4 REG CAB XL 112 WB R11 XL112				4-DR WAGON XLT 4WD U18 XLT				4X2 FLARESIDE XL SWB F07 XLSWB			
4X4 REG CAB XL 118 XB R11 XL118				EXPLORER				4X2 FLARESIDE XLT SWB F07 XLTSWB			
4X4 REG CAB XLT 112 WB R11 XLT112				4-DR WAGON EDDIE BAUER AWD U35 EB				4X2 STYLESIDE LARIAT LWB F17 LLWB			
4X4 REG CAB XLT 118 WB R11 XLT118				4-DR WAGON LTD AWD U35 LTD				4X2 STYLESIDE LARIAT SWB F17 LSWB			
4X4 SUPERCAB SPLASH 126 WB R15 SPL126				4-DR WAGON XLT AWD U35 XLT				4X2 STYLESIDE LWB F17 LWB			
4X4 SUPERCAB XL 126 WB R15 XL126				F250 PICKUP				4X2 STYLESIDE SWB F17 SWB			
4X4 SUPERCAB XLT 126 WB R15 XLT126				4X2 REG CAB S/S LARIAT F27 LAR				4X2 STYLESIDE XL LWB F17 XLLWB			
				4X2 REG CAB S/S STANDARD F27 STD				4X2 STYLESIDE XL SWB F17 XLSWB			
				4X2 REG CAB S/S XL F27 XL				4X2 STYLESIDE XLT LWB F17 XLT LWB			
				4X2 REG CAB S/S XLT F27 XLT				4X2 STYLESIDE XLT SWB F17 XLT SWB			
				4X2 SUPERCAB S/S LARIAT X27 LAR				4X2 SUPERCAB FLARESIDE LARIAT SWB X07 LSWB			



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DECEMBER 31, 1997			DECEMBER 31, 1996			DECEMBER 31, 1995		
MDL	BODY STYLE	MAKE	MDL	BODY STYLE	MAKE	MDL	BODY STYLE	MAKE
CODE			CODE			CODE		
FORD			FORD			FORD		
			F250 PICKUP (continued)			F150 PICKUP (continued)		
			4X2 SUPERCAB S/S STANDARD		X27 STD	4X2 SUPERCAB FLARESIDE XL SWB		X07 XLSWB
			4X2 SUPERCAB S/S XL		X27 XL	4X2 SUPERCAB FLARESIDE XLT SWB		X07 XLTSWB
			4X2 SUPERCAB S/S XLT		X27 XLT	4X2 SUPERCAB STYLESIDE LARIAT LWB		X17 LLWB
			4X4 REG CAB S/S LARIAT		F28 LAR	4X2 SUPERCAB STYLESIDE LARIAT SWB		X17 LSWB
			4X4 REG CAB S/S STANDARD		F28 STD	4X2 SUPERCAB STYLESIDE LWB		X17 LWB
			4X4 REG CAB S/S XL		F28 XL	4X2 SUPERCAB STYLESIDE SWB		X17 SWB
			4X4 REG CAB S/S XLT		F28 XLT	4X2 SUPERCAB STYLESIDE XL LWB		X17 XLLWB
			4X4 SUPERCAB S/S LARIAT		X28 LAR	4X2 SUPERCAB STYLESIDE XL SWB		X17 XLSWB
			4X4 SUPERCAB S/S STANDARD		X28 STD	4X2 SUPERCAB STYLESIDE XLT LWB		X17 XLTLWB
			4X4 SUPERCAB S/S XL		X28 XL	4X2 SUPERCAB STYLESIDE XLT SWB		X17 XLTSWB
			4X4 SUPERCAB S/S XLT		X28 XLT	4X4 FLARESIDE LARIAT SWB		F08 LSWB
			F350 PICKUP			4X4 FLARESIDE XL SWB		F08 XLSWB
			4X2 REG CAB S/S DRW 133 WB		F35 D133	4X4 FLARESIDE XLT SWB		F08 XLTSWB
			WINDSTAR			4X4 STYLESIDE LARIAT LWB		F18 LLWB
			WAGON LTD		A51 LTD	4X4 STYLESIDE LARIAT SWB		F18 LSWB
			WAGON STD		A51 STD	4X4 STYLESIDE LWB		F18 LWB
						4X4 STYLESIDE SWB		F18 SWB
						4X4 STYLESIDE XL LWB		F18 XLLWB
						4X4 STYLESIDE XL SWB		F18 XLSWB
						4X4 STYLESIDE XLT LWB		F18 XLTLWB
						4X4 STYLESIDE XLT SWB		F18 XLTSWB
						4X4 SUPERCAB FLARESIDE LARIAT SWB		X08 LSWB
						4X4 SUPERCAB FLARESIDE XL SWB		X08 XLSWB
						4X4 SUPERCAB FLARESIDE XLT SWB		X08 XLTSWB
						4X4 SUPERCAB STYLESIDE LARIAT LWB		X18 LLWB
						4X4 SUPERCAB STYLESIDE LARIAT SWB		X18 LSWB
						4X4 SUPERCAB STYLESIDE LWB		X18 LWB
						4X4 SUPERCAB STYLESIDE SWB		X18 SWB
						4X4 SUPERCAB STYLESIDE XL LWB		X18 XLLWB
						4X4 SUPERCAB STYLESIDE XL SWB		X18 XLSWB
						4X4 SUPERCAB STYLESIDE XLT LWB		X18 XLTLWB
						4X4 SUPERCAB STYLESIDE XLT SWB		X18 XLTSWB
GMC TRUCKS			GMC TRUCKS			GMC TRUCKS		
C-K SIERRA PICKUP			C-K SIERRA PICKUP			S15 SONOMA		
C1500 S/S EXT CAB SWB		C10753 SS	C1500 W/S REG CAB R6V C.S.E.		C10903 R6V	2WD S/S EXT CAB SLS		S10653 SLS
C1500 W/S EXT CAB SWB 1SV CWOI		C10753 1SV	CHASSIS LO-PRO			2WD S/S EXT CAB SLS 117.9		S10803 SLS
K1500 S/S EXT CAB SWB		K10753 SS	FORWARD CONTROL CHASSIS 110WB		TP30542	4WD S/S EXT CAB SLS		T10653 SLS
JIMMY			FORWARD CONTROL CHASSIS 178WB		TP31842	2WD S/S EXT CAB SLS 108.3		T10803 SLS
2WD 4-DR WAGON R6V CWOI		TS10506 R6V	S15 SONOMA			SAVANA		
4-DR 4WD WAGON YC6 CWOI		TT10506 CWOI	2WD W/S EXT CAB R6V CA SP ED		S10653 R6V CSE	G1500 CARGO VAN SWB W/R9S		TG11405 R9S
S15 SONOMA			2WD W/S EXT CAB W/C5		S10653 W/C5	G1500 CARGO VAN SWB W/YF7		TG11405 YF7
2WD W/S EXT CAB 1SV CWOI		S10653 1SV	SAFARI			G1500 PASSENGER VAN SWB		TG11406
2WD W/S EXT CAB R6V CWOI		S10653 R6V	PASSENGER VAN R6V CWOI		TM11006 R6V	G2500 CARGO VAN LWB W/R9S		TG21705 R9S
YUKON			SAVANA			G2500 CARGO VAN LWB W/YF7		TG21705 YF7
4-DR 4WD YUKON DENALI		K10706 DEN	G3500 CARGO VAN LWB W/YF7		TG31705 YF7	G2500 CARGO VAN SWB W/R9S		TG21405 R9S
			G3500 CARGO VAN SWB W/YF7		TG31405 YF7	G2500 CARGO VAN SWB W/YF7		TG21405 YF7
			G3500 SPECIAL 159 WB		TG31803	G2500 PASSENGER VAN LWB		TG21706
			G3500 SPECIAL W/C7L 159 WB		TG31803 W/CL	G2500 PASSENGER VAN SWB		TG21406
			G3500 SPECIAL W/E23 139 WB		TG31803 W/E23	G3500 CARGO VAN LWB W/R9S		TG31705 R9S
						G3500 CARGO VAN SWB W/R9S		TG31405
						G3500 PASSENGER VAN LWB		TG31706
						G3500 PASSENGER VAN SWB		TG31406
						YUKON		
						2-DR 2WD YUKON 111.5		C10516
						4-DR 2WD YUKON 117.5		C10706
						4-DR 4WD YUKON 117.5		K10706



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**LIGHT-DUTY
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DECEMBER 31, 1997			DECEMBER 31, 1996			DECEMBER 31, 1995		
MDL	BODY STYLE	MAKE	MDL	BODY STYLE	MAKE	MDL	BODY STYLE	MAKE
		CODE			CODE			CODE
HONDA			HONDA			HONDA		
CR-V						PASSPORT 4X2		
4WD 5-DR LX AUTO		RD184				4-DR DX 5-SP		98114
4WD 5-DR AUTO W/ABS		RD185				4-DR EX AUTO		98227
PASSPORT						4-DR LX 5-SP		98214
2WD 4-DR EX AUTO		98226				4-DR LX AUTO		98224
2WD 4-DR EX AUTO W/LEATHER		98227				PASSPORT 4X4		
2WD 4-DR LX 5-SP		98214				4-DR EX W/16" TIRES 5-SP		98317
2WD 4-DR LX AUTO		98224				4-DR EX W/16" TIRES AUTO		98327
4WD 4-DR 5-SP W/WHEEL PKG		98315				4-DR LX 5-SP		98314
4WD 4-DR AUTO W/LEATHER		98327				4-DR LX AUTO		98324
4WD 4-DR EX AUTO		98326				4-DR LX W/16" TIRES 5-SP		98315
4WD 4-DR LX 5-SP		98314				4-DR LX W/16" TIRES AUTO		98325
4WD 4-DR LX AUTO		98324						
4WD 4-DR LX AUTO W/WHEEL PKG		98325						
INFINITI			INFINITI			INFINITI		
			QX4					
			4-DR LUXURY SUV		7101			
ISUZU			ISUZU			ISUZU		
HOMBRE			HOMBRE			RODEO		
2WD REG CAB S AUTO		P14	2WD S REG CAB 5-SP		P15	4X2 4-DR 5-SP (4 CYL)		P45
2WD REG CAB XS AUTO		P24	2WD XS REG CAB 5-SP		P25	4X2 4-DR LS V6 AUTO		R64
2WD SPACECAB XS AUTO		P54	2WD XS SPACECAB 5-SP		P55	4X2 4-DR S V-6 5-SP		R45
4WD REG CAB S 5-SP		T35	2WD XS SPACECAB V6 AUTO		P64	4X2 4-DR S V-6 AUTO		R44
4WD SPACECAB S AUTO		T64	OASIS			4X4 4-DR LS V-6 5-SP		V65
4WD SPACECAB XS 5-SP		T65	6-PASS WAGON LS		J64	4X4 4-DR LS V-6 AUTO		V64
RODEO			7-PASS WAGON S		J44	4X4 4-DR S V-6 5-SP		V45
2WD 4-DR (4 CYL) S 5-SP		P45	7-PASS WAGON S		J54	4X4 4-DR S V-6 AUTO		V44
2WD 4-DR LS AUTO		R64	TROOPER			TROOPER		
2WD 4-DR S 5-SP		R45	4-DR SE AUTO		M54 SE	4-DR LIMITED AUTO		M74
2WD 4-DR S AUTO		R44				4-DR SE AUTO		M54
4WD 4-DR LS 5-SP		V65						
4WD 4-DR LS AUTO		V64						
4WD 4-DR S 5-SP		V45						
4WD 4-DR S AUTO		V44						
JEEP			JEEP			JEEP		
CHEROKEE			CHEROKEE					
4-DR 2WD WAGON CLASSIC		XJTL74 CL	4-DR 2WD WAGON CLASSIC		XJTL74 CL			
4-DR 2WD WAGON LIMITED		XJTL74 LTD	4-DR 4WD WAGON CLASSIC		XJL74 CL			
4-DR 4WD WAGON CLASSIC		XJL74 CL	WRANGLER					
4-DR 4WD WAGON LIMITED		XJL74 LTD	WRANGLER SAHARA		TJL77 SA			
GRAND CHEROKEE			WRANGLER SE		TJL77 SE			
4-DR 2WD WAGON TSI		ZJL74 TSI	WRANGLER SPORT		TJL77 SP			
4-DR 4WD WAGON 5.9 LIMITED		ZJL74 L5.9						
4-DR 4WD WAGON TSI		ZJL74 TSI						
KIA			KIA			KIA		
			SPORTAGE			SPORTAGE		
			4X2 4-DR DOHC 5-SP		42221	4X2 4-DR SOHC 5-SP		41221
			4X2 4-DR DOHC AUTO		42222	4X4 4-DR DOHC 5-SP		42421
			4X2 4-DR DOHC EX 5-SP		42241	4X4 4-DR DOHC AUTO		42422
			4X2 4-DR DOHC EX AUTO		42242	4X4 4-DR DOHC EX 5-SP		42441
						4X4 4-DR DOHC EX AUTO		42442



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DECEMBER 31, 1997			DECEMBER 31, 1996			DECEMBER 31, 1995		
MDL	BODY STYLE	MAKE	MDL	BODY STYLE	MAKE	MDL	BODY STYLE	MAKE
LAND ROVER/RANGE ROVER			LAND ROVER/RANGE ROVER			LAND ROVER/RANGE ROVER		
DISCOVERY			DEFENDER 90			DISCOVERY		
4-DR HARDTOP 4WD LSE AUTO		SDVZLSE	2-DR HARDTOP		SLNZ HT	4-DR HARDTOP 4WD SD AUTO		SDVZ A
			2-DR SOFTTOP		SLNZ ST	4-DR HARDTOP 4WD SD AUTO W/LEATHE		SDVZ L/A
						4-DR HARDTOP 4WD SE AUTO		SDVZ SEA
						4-DR HARDTOP 4WD SE7 5-SP		SDVZ SETM
						4-DR HARDTOP 4WD SE7 AUTO		SDVZ SETA
						RANGE ROVER		
						4-DR HARDTOP 4WD 4.0 SE		SXLA
						4-DR HARDTOP 4WD 4.6 HSE		SXLA HSE
LEXUS			LEXUS			LEXUS		
			LX 450					
			LUXURY SPORT UTILITY AUTO		9600			
			LUXURY SPORT UTILITY AUTO CANY		9610			
LINCOLN			LINCOLN			LINCOLN		
NAVIGATOR								
4-DR 2WD WAGON		U27						
4-DR 4WD WAGON		U28						
MAZDA			MAZDA			MAZDA		
B SERIES PICKUP			B SERIES PICKUP			B SERIES PICKUP		
4X2 B2500 CAB PLUS SE 5-SP		B25CSE2P	4X2 B4000 CAB PLUS SE 5-SP		B40CSEM	4X2 B2300 CAB PLUS SE 5-SP		B23CSEM
4X2 B2500 REG CAB SE 5-SP		B25SSE2P	4X4 B4000 CAB PLUS 5-SP		B4XCBSM	4X2 B2300 LONG BED 5-SP		B23LBSM
4X2 B2500 REG CAB SE AUTO		B25SSE2A	4X4 B4000 REG CAB 5-SP		B4XCBSM	4X2 B3000 CAB PLUS SE 5-SP		B30CSEM
4X2 B2500 REG CAB SX 5-SP		B25SSX2P				4X2 B4000 CAB PLUS LE 5-SP		B40CLEM
4X2 B2500 REG CAB SX AUTO		B25SSX2A				4X4 B2300 SHORT BED 5-SP		B2XSBSM
4X2 B3000 CAB PLUS SE 5-SP		B30CSE2P				4X4 B4000 CAB PLUS LE 5-SP		B4XCLEM
4X2 B3000 CAB PLUS SE AUTO		B30CSE2A				MPV		
4X2 B4000 CAB PLUS SE 5-SP		B40CSE2P				2WD WAGON DX		LV522 DX
4X2 B4000 CAB PLUS SE AUTO		B40CSE2A				2WD WAGON ES		LV522 ES
4X4 B3000 CAB PLUS SE 5-SP		B3XCSEXP				2WD WAGON LX		LV522 LX
4X4 B3000 CAB PLUS SE AUTO		B3XCSEXA				4WD WAGON ES		LV523 ES
4X4 B3000 REG CAB SE 5-SP		B3XSSEXP				4WD WAGON LX		LV523 LX
4X4 B3000 REG CAB SE AUTO		B3XSSEXA						
4X4 B3000 REG CAB SX 5-SP		B3XSSXP						
4X4 B4000 CAB PLUS SE 5-SP		B4XCSEXP						
4X4 B4000 CAB PLUS SE AUTO		B4XCSEXA						
MERCEDES			MERCEDES			MERCEDES		
M CLASS								
ML320 4-DR SPORT UTILITY		ML320						
MERCURY			MERCURY			MERCURY		
MOUNTAINEER			MOUNTAINEER					
4-DR 4WD WAGON		U54	4-DR 2WD WAGON		U52			
			4-DR AWD WAGON		U55			
MINI			MINI			MINI		
MONTERO			MONTERO SPORT					
4-DR V6 AUTO		MP45-B AUTO	4-DR 2WD SPORT LS AUTO		MT45-P AUTO			
MONTERO SPORT			4-DR 4WD SPORT LS 5-SP		MT45-R 5-SP			
4-DR 2WD ES 5-SP		MT45-B 5-SP	4-DR 4WD SPORT LS AUTO		MT45-R AUTO			
4-DR 2WD XLS V6 AUTO		MT45-P AUTO	4-DR 4WD SPORT XLS AUTO		MT45-X AUTO			
MITSUBISHI			MITSUBISHI			MITSUBISHI		



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MDL	BODY STYLE	CODE	MDL	BODY STYLE	CODE	MDL	BODY STYLE	CODE
NISSAN			NISSAN			NISSAN		
FRONTIER PICKUP			4X2 PICKUP					
2WD KING CAB SE 5-SP		5325	KING CAB SE 5-SP		5325			
2WD KING CAB SE AUTO		5321	KING CAB SE AUTO		5321			
2WD KING CAB XE 5-SP		5355	KING CAB XE 5-SP		5355			
2WD KING CAB XE AUTO		5351	KING CAB XE AUTO		5351			
2WD REG CAB XE 5-SP		3355	REG CAB XE 5-SP		3355			
2WD REG CAB XE AUTO		3351	REG CAB XE AUTO		3351			
2WD STANDARD 5-SP		3305	STANDARD 5-SP		3305			
4WD KING CAB SE 5-SP		5335						
4WD KING CAB XE 5-SP		5375	4X4 PICKUP					
4WD REG CAB XE 5-SP		3375	KING CAB SE 5-SP		5335			
			KING CAB XE 5-SP		5375			
			REG CAB XE 5-SP		3375			
			PATHFINDER					
			4-DR 4X2 LE AUTO		0931			
			4-DR 4X2 LE AUTO		1931			
			4-DR 4X2 XE 5-SP		0925			
			4-DR 4X2 XE AUTO		0921			
			4-DR 4X4 LE AUTO		0981			
			4-DR 4X4 LE AUTO		1981			
			4-DR 4X4 SE 5-SP		0975			
			4-DR 4X4 SE AUTO		0971			
			4-DR 4X4 XE 5-SP		0965			
			4-DR 4X4 XE AUTO		0961			
OLDSMOBILE			OLDSMOBILE			OLDSMOBILE		
SILHOUETTE			BRAVADA			SILHOUETTE		
4-DR MINIVAN GS REG WB 1SB		3UN16 1SB	4-DR SPORT UTILITY REGIONAL CWOI		V06 R7A-R	MINIVAN - SERIES I		M06 1SB
			SILHOUETTE			MINIVAN - SERIES II		M06 1SC
			3-DR MINIVAN BASE EXT WB		M06U R7B			
			3-DR MINIVAN BASE REG WB		N06U R7A			
			3-DR MINIVAN GL EXT WB		M06U R7C			
			3-DR MINIVAN GLS EXT WB		M06U R7E			
			4-DR MINIVAN GL EXT WB		M16U R7D			
			4-DR MINIVAN GLS EXT WB		M16U R7F			
PLYMOUTH			PLYMOUTH			PLYMOUTH		
GRAND VOYAGER						GRAND VOYAGER		
MPV EXPRESSO FWD		NSHH53 E				MPV BASE FWD		NSHL53
VOYAGER						MPV SE FWD		NSHH53 SE
MPV EXPRESSO FWD		NSHH52 E				VOYAGER		
						MPV BASE FWD		NSHL52
						MPV SE FWD		NSHH52
PONTIAC			PONTIAC			PONTIAC		
TRANS SPORT			TRANS SPORT					
4-DR MINIVAN 1SF CWOI		2UN16 1SF	3-DR MINIVAN SE EXT WB		M06			
4-DR MINIVAN 1SG CWOI		2UN16 1SG	3-DR MINIVAN SE EXT WB CWOI		M06 1SG			
4-DR MINIVAN 1SH CWOI		2UN16 1SH	3-DR MINIVAN SE REG WB		N06			
4-DR MINIVAN EXT WB 1SH CWOI		2UM16 1SH	3-DR MINIVAN SE REG WB CWOI		N06 1SG			
4-DR MINIVAN SE REG WB		2UN16	4-DR MINIVAN SE EXT WB		M16			
			4-DR MINIVAN SE EXT WB CWOI		M16 1SG			
SUBARU			SUBARU			SUBARU		
FORESTER								
4-DR AWD 5-SP		CA						
4-DR L AWD 5-SP		CB						
4-DR L AWD AUTO		CC						
4-DR S AWD 5-SP		CD						
4-DR S AWD AUTO		CE						
4-DR S C/PKG AWD 5-SP		CF						
4-DR S C/PKG AWD AUTO		CG						



**NEW ITEM CATEGORIES FOR NEW LIGHT-DUTY TRUCKS
 UNDER THE ALTERNATIVE LIFO (LAST-IN, FIRST-OUT) METHOD FOR AUTOMOBILE DEALERS
 REVENUE PROCEDURES 97-36 & 92-79
 W/RT NEW VEHICLE INVENTORIES FOR TAXABLE YEARS ENDING ON DECEMBER 31, 1997 - 1996 - 1995**

**LIGHT-DUTY
 TRUCKS
 PAGE 7 OF 7**

DECEMBER 31, 1997			DECEMBER 31, 1996			DECEMBER 31, 1995		
MAKE			MAKE			MAKE		
MDL	BODY STYLE	CODE	MDL	BODY STYLE	CODE	MDL	BODY STYLE	CODE
SUZUKI			SUZUKI			SUZUKI		
SIDEKICK			X90			SIDEKICK		
4-DR 2WD HARDTOP SPORT JS 5-SP		LSL77C	2-DR 2WD AUTO		LCC694	4-DR 4WD HARDTOP SPORT JLX 5-SP		LRL77T
4-DR 2WD HARDTOP SPORT JS AUTO		LSL78C				4-DR 4WD HARDTOP SPORT JLX AUTO		LRL78T
						4-DR 4WD HARDTOP SPORT JX 5-SP		LRL77S
						4-DR 4WD HARDTOP SPORT JX AUTO		LRL78S
						X90		
						2WD 5-SP		LCC66T
						4WD 5-SP		LAC66T
						4WD AUTO		LAC69T
TOYOTA			TOYOTA			TOYOTA		
RAV4			4RUNNER			TACOMA		
2WD 2-DR SOFT TOP 5-SP		4415	2WD 4-DR SR5 V6 AUTO		8642	2WD REG CAB 5-SP		7100
2WD 2-DR SOFT TOP AUTO		4414	2WD 4-DR SR5 V6 LTD AUTO		8648	2WD REG CAB AUTO		7102
4WD 2-DR SOFT TOP 5-SP		4425	2WD 4-DR BASE 4CYL 5-SP		8641	2WD XTRACAB 5-SP		7113
4WD 2-DR SOFT TOP AUTO		4424	2WD 4-DR BASE 4CYL AUTO		8640	2WD XTRACAB AUTO		7114
			4WD 4-DR BASE 4CYL 5-SP		8657	2WD XTRACAB V6 5-SP		7153
SIENNA			4WD 4-DR BASE 4CYL AUTO		8658	2WD XTRACAB V6 AUTO		7154
4-DR MINIVAN CE AUTO		5322	4WD 4-DR SR5 V6 5-SP		8665	4WD REG CAB 5-SP		7503
4-DR MINIVAN LE AUTO		5332	4WD 4-DR SR5 V6 AUTO		8664	4WD REG CAB AUTO		7504
5-DR MINIVAN LE AUTO		5334	4WD 4-DR SR5 V6 LTD AUTO		8668			
5-DR MINIVAN XLE AUTO		5344				4WD REG CAB V6 5-SP		7523
			RAV4			4WD XTRACAB 5-SP		7513
			2WD 2-DR 5-SP		4413	4WD XTRACAB AUTO		7514
			2WD 2-DR AUTO		4412	4WD XTRACAB SR5 V6 5-SP		7557
			2WD 4-DR 5-SP		4417	4WD XTRACAB SR5 V6 AUTO		7558
			2WD 4-DR AUTO		4416	4WD XTRACAB V6 5-SP		7553
			4WD 2-DR 5-SP		4423	4WD XTRACAB V6 AUTO		7554
			4WD 4-DR 5-SP		4427			
			4WD 4-DR AUTO		4426			
			TACOMA					
			2WD REG CAB 5-SP		7103			
			2WD REG CAB AUTO		7104			
VOLKSWAGEN			VOLKSWAGEN			VOLKSWAGEN		
			EUROVAN CAMPER					
			CONVERSION-READY VAN					
			2-SEAT AUTO		7DW1L3			



- Differences in information available at release dates: In some cases, the IRS did not include certain year models introduced after January 1. On our lists, where appropriate, we included these models as new items.
- Interpretation of "new item" definition language in Section 4.02(5) basically in situations involving only model code changes and/or engine changes. One of the major differences between our lists and those of the IRS related to engine changes: The IRS consistently has treated any engine change as automatically resulting in a new item ... whereas we did not (unless one of the other specified rules came into play).

NEW ITEM: SO WHAT? WHAT DIFFERENCE DOES IT MAKE?

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. However, the addition of the same dollar amount to both the numerator and (to) the denominator of the same fraction reduces the overall result (i.e., it depresses the index computed) in the LIFO computations for an overall inflationary year. The exact opposite occurs in an overall deflationary year ... i.e., new item treatment will result in a relatively "higher" inflation index for the year. *

LIFO Update

#3. AUTO DEALER "AUTOMATIC" CHANGES TO THE ALTERNATIVE LIFO METHOD.

Thanks to the recent favorable changes in Revenue Procedure 97-37, many CPAs have been *simultaneously* preparing dealership corporate income tax returns with Forms 3115 as attachments to change to the Alternative LIFO Method for 1997. This was mentioned in the "Retroactive Tax Planning" Update Comment in the December, 1997 *LIFO Lookout*.

It is surprising how many auto dealerships still have not changed to the Alternative LIFO Method. This becomes evident more and more as CPAs obtain new dealership clients where those dealerships were previously in the hands of CPAs who did not understand LIFO.

For such dealership returns still on extension, and for whom an automatic change to the Alternative LIFO Method would be desirable, we have included a proforma Form 3115 narrative for notifying the IRS of the change to ALTLIFO and related materials.

#4. NEW ITEMS FOR DECEMBER 31, 1997 YEAR-END LIFO COMPUTATIONS.

We are pleased to continue a regular annual feature—the presentation of our "new items" list for new item categories under the Alternative LIFO Method. In the past, we have compared our new item lists with those issued by the Motor Vehicle Industry Specialist of the IRS. But, alas, the IRS has not yet issued its December, 1997 New Items List. Well, we'll just go ahead without them!

Beginning on page 9, we have published our own current new items list. As a bonus, we've included our own new item determinations for the comparable previous two years-end (December 31, 1995 and 1996) to provide an idea of the extent of the changes **by make and by model** over a three year period.

(Continued from page 1)

When combined side-by-side this way, the lists support some interesting conclusions.

#5. S ELECTIONS, QSSSs & "ALMOST TOO GOOD TO BE TRUE" LIFO RESULTS.

Several callers have asked about dealerships operating as Qualified Subchapter S Subsidiaries (QSSSs)...where some of those dealerships have experienced significant decreases in their LIFO inventories at year end, while other QSSSs in the group have had increases in their inventory levels. Generally, in separate corporate entities, with separate LIFO elections and separate LIFO pools, each entity makes its own LIFO calculations, and decreases in inventory levels often result in substantial LIFO reserve recaptures where those inventories are not restored before year-end.

But, in instances where some dealerships operating as QSSSs have had inventory declines—while other QSSSs in the group have had inventory build-ups—it appears that, in the preparation of the tax return for the S Corporation parent, all of the inventory owned by all of the QSSS entities is treated as if all that inventory were the inventory of the parent corporation. Accordingly, it appears that all of the inventory levels of all of the QSSSs are combined—and this would produce the net result that decreases in some QSSSs inventories would be offset by the inventory increases or build-ups in others. As a consequence, the parent entity filing the S tax return would end up not reporting a LIFO recapture ... because of the offsetting of the underlying increases and decreases (in separate corporate entities)!

Are we right on this? Is this one of those results that is "too good to be true?" If Notice 97-4 ... or other "official" guidance ... permits this result, one can only wonder if this result is really what Congress intended ... And, can the IRS not be too far behind? *



FORM 3115 DISCLOSURES FOR MAKING AUTOMATIC CHANGES TO THE ALTERNATIVE LIFO METHOD

PRACTICE
GUIDE

CPAs have the opportunity to do some strategic, retroactive tax planning for auto dealers who are still using questionable LIFO computation methodologies. A quick change to the Alternative LIFO Method may be desirable because making that change before the IRS instigates an audit means that the IRS cannot challenge and redo the prior years' LIFO computations. That's the essence of the "audit protection" promised by Revenue Procedure 97-36 (formerly Revenue Procedure 92-79).

Under Revenue Procedure 97-37, changes in accounting method—including many LIFO inventory methods—that involve "automatic consent changes" are not required to be filed with the Internal Revenue Service until after the end of the year: They are made along with the filing of the (corporate) income tax return for the year of change. An additional procedural step is that when the income tax return for the year of change is filed with the IRS Service Center, **a copy** of Form 3115 is required to be filed with the IRS National Office in Washington, D.C.

Section 6.02 of Revenue Procedure 97-37 provides that a taxpayer changing a method of accounting under its purview must complete and file Form 3115 in duplicate. The original of Form 3115 must be attached to the taxpayer's timely filed (including extensions) original Federal income tax return for the year of change. **A copy** of the Form 3115 application be filed with the National Office ... no earlier than the first day of the year of change and no later than when the original is filed with the Federal income tax return for the year of change.

Accordingly, taxpayers now have added "planning flexibility" and the opportunity to benefit from a defensive strategy after the year is over by using these automatic consent change procedures. The risk in delaying the filing of Form 3115, of course, is that the longer one waits to file Form 3115, the greater the possibility that during that "waiting period," the IRS may just happen to start an audit and challenge the LIFO calculations.

As another strategic consideration, it may be desirable to file the *copy* of the Form 3115 with the National Office well in advance of the time when the original Form 3115 will be included as part of the Federal income tax return filed for the year. This, hopefully, will demonstrate the taxpayer's good faith

intention to make the change at a time before it is contacted by the IRS for audit. Note that the filing with the National Office cannot occur **before** the start of the year of change.

The current revision of Form 3115 is dated November, 1997. The Form is fairly straightforward and doesn't warrant step-by-step discussion of the taxpayer-specific questions. What is necessary, however, is that an appropriate narrative statement be included with the Form 3115 describing and justifying to the IRS the LIFO method change being made or requested.

SELECTED FORM 3115 RESPONSES

Below are few selected responses, followed by a "proforma" narrative statement and a transmittal letter that can be used to send the **copy** of the Form 3115 to the IRS National Office in Washington, D.C.

At the very top of Form 3115, above the Form name (i.e., Application for Change in Accounting Method): type or print legibly: "Section 10.03 of the Appendix of Revenue Procedure 97-37."

Page 1, Part I, Question 1 (Eligibility to Request Change): Enter in the blank space provided for the citation of the Revenue Procedure or other published guidance: "Rev. Proc. 97-37 & 97-36."

Page 1, top right-hand side where asked to designate the "appropriate box to indicate the type of accounting method change being requested:" Check or "X" the "Other" box and specify: "Change Within LIFO Method."

Page 3, Part III, Section 481(a) Adjustment: When a dealer is changing to the Alternative LIFO Method, the LIFO reserves as of the last day of the year immediately preceding the year of change to the new Alternative LIFO Method remain unchanged ... and there is no Section 481(a) adjustment for any years prior to the first year under the new Alternative LIFO Method. This is one of the specific provisions (and benefits) in Revenue Procedure 97-36. Accordingly, our response on Page 3, Part III, Line 19 under the caption "Section 481(a) Adjustment" is: "Not Applicable - Cut-Off Method. Section 5.03(6) Revenue Procedure 97-36."

Page 3, Part IV, Question 27: Since the User Fee is waived where an automatic change procedure is involved, insert: "\$N/A User Fee Waived - Automatic Change Procedure."

see **FORM 3115 DISCLOSURES**, page 32



FORM 3115 LETTER OF TRANSMITTAL
TO BE MAILED TO THE IRS NATIONAL OFFICE

Dealership Letterhead

* Internal Revenue Service
* Associate Chief Counsel (Domestic)
* Attention: CC:DOM:CORP:T
P. O. Box 7604
Ben Franklin Station
Washington, DC 20044

** Commissioner of Internal Revenue
** Attention: CC:DOM:IT&A

_____, 1998

Re: _____ EI No. _____

Form 3115: Application for Change in LIFO Accounting Method
To the Alternative LIFO Method for Automobile Dealers
Under Revenue Procedure 97-36 and
Section 10.03 of the Appendix to Revenue Procedure 97-37
For The Fiscal Year Ending June 30, 1998

Dear Sir or Madam:

Enclosed is a copy of the Form 3115 for the dealership identified above reflecting that dealership's request for permission to change to the Alternative LIFO Method provided by Revenue Procedure 97-36 in connection with its use of the Last-In, First-Out (LIFO) method for new automobile and new light-duty truck inventories. This change is to be effective for the fiscal year ending June 30, 1998. The Alternative LIFO Method for Automobile Dealers is set forth in Revenue Procedure 97-36 and this change is being made under Section 10.03 of the Appendix of Revenue Procedure 97-37.

The original Form 3115 will be attached to the taxpayer's timely filed (including extensions) original Federal income tax return for the year of change. This copy of Form 3115 is being filed at this time with the National Office pursuant to Section 6.02(2)(a) of Revenue Procedure 97-37.

On the date this Form 3115 is being filed with the National Office, the taxpayer is **not** under audit examination, as defined in Section 3.08 of Revenue Procedure 97-37, and it has no Federal income tax return(s) under consideration by any IRS Appeals Officer or by any Federal Court.

The taxpayer agrees to all of the conditions of Revenue Procedures 97-36 and 97-37 and taxpayer proposes to not compute any Section 481(a) adjustment because of the availability of the cut-off method under Section 5.03(8) of Rev. Proc. 97-36.

No User Fee is required in connection with this filing.

Respectfully submitted,

TAXPAYER NAME

(Authorized Officer), President

* Addressee designation per Instructions to Form 3115 (Rev. Nov. 1997).
** Addressee designation per Revenue Procedure 97-37, Section 6.02(6).

G:\GROUP\WORD\3115\PROFORMA\PROF1NTL.DOC



FORM 3115: APPLICATION FOR CHANGE IN ACCOUNTING METHOD
W/R/T FISCAL YEAR ENDING JUNE 30, 1998
STATEMENTS ATTACHED TO FORM 3115

ATTACHMENTS TO FORM 3115

1. Schedule B: Changes Within the LIFO Inventory Method.
2. Consent and Narrative Statements.
3. Form 970 original LIFO election.

USER FEE - WAIVED

Per Form 3115 instructions, applicants filing under an automatic change procedure do not pay a user fee. This change request is filed by a taxpayer engaged in the trade or business of retail sales of new automobiles and new light-duty trucks who is changing to the Alternative LIFO Method for Automobile Dealers described in Revenue Procedure 97-36, 1997-33 I.R.B. 14. This change was formerly provided in Rev. Proc. 92-79, 1992-2 C.B. 457. See Section 10.03 of Rev. Proc. 97-37.

PART II AND SCHEDULE B: DESCRIPTION OF CHANGES WITHIN THE LIFO INVENTORY METHOD

Taxpayer is a franchised automobile dealer who requests permission to change from its present LIFO method to the Alternative LIFO Method for new automobiles and new light-duty trucks pursuant to the methodology, provisions and conditions of consent of Revenue Procedure 97-36 for its fiscal year ending June 30, 1998.

Revenue Procedure 97-36 establishes a "safe harbor" approach for retail automobile dealers. Under this approach, the Commissioner will waive strict adherence to the comparability requirement found in Regulations Section 1.472-8, for taxpayers utilizing the Alternative LIFO Method. Taxpayers must use the compensating sub-methods described in Revenue Procedure 97-36 to ensure that the Alternative LIFO Method clearly reflects income.

One of the reasons that the Internal Revenue Service established the Alternative LIFO Method for Automobile Dealers was to significantly reduce expensive and time-consuming disagreements between automobile dealers and the IRS over LIFO computation methodologies. Taxpayer is changing its LIFO accounting method in order to bring its LIFO calculations into compliance with this "safe-harbor" methodology.

The Alternative LIFO Method is a dollar-value, link-chain (index) method employing a specific identification increment method and sub-methods, definitions and special rules provided in Section 4.02 and computational methodology set forth in 14 steps in Section 4.03 of Revenue Procedure 97-36.

TAXPAYER NOT UNDER EXAMINATION

Taxpayer is not under IRS audit examination on the date this Form 3115 is being filed with the IRS National Office.

(Page 1 of 2, continued)



FORM 3115: APPLICATION FOR CHANGE IN ACCOUNTING METHOD**W/R/T FISCAL YEAR ENDING JUNE 30, 1998****STATEMENTS ATTACHED TO FORM 3115****CONSENT STATEMENTS REQUIRED BY REVENUE PROCEDURES 97-36 & 97-37**

Under penalties of perjury, taxpayer agrees to all of the conditions of consent contained in Revenue Procedure 97-36, to change to the Alternative LIFO Method, and to all of the terms and conditions contained in Revenue Procedure 97-37.

PART III, PAGE 3 - SECTION 481(a) ADJUSTMENT

CUT-OFF METHOD. Under Section 5.03(6) of Revenue Procedure 97-36, an automobile dealer must effect the change to the Alternative LIFO Method using the cut-off method. Under the cut-off method, the value of the new automobile and new light-duty truck inventory...at the beginning of the year of change must be the same as the value of such inventory at the end of the preceding taxable year, plus market value restorations, if any are required.

Accordingly, taxpayer proposes to make no Section 481(a) adjustment for the change in LIFO methodology herein requested. In effecting the changes in LIFO methodology requested, taxpayer proposes to retain without change any layers of inventory increments previously determined and the corresponding LIFO values of such increments. The base-year costs of the layers of increments in the pools at the beginning of the year of change will be restated in terms of the new base-year costs, using the year of change as the new base year.

Taxpayer will retain for subsequent review by the Internal Revenue Service copies of all computations incident to the rebasing of its LIFO inventories to 1.000 as of the beginning of the year of change (i.e., as of June 30, 1997).

SECTION 263A INVENTORY COST CAPITALIZATION MATTERS

No changes are contemplated in connection with taxpayer's Section 263A method of accounting for inventory cost capitalization.

- Taxpayer is subject to the Section 263A Inventory Cost Capitalization Rules and taxpayer uses a Simplified Resale Method as its method of accounting for inventories to reflect the Section 263A Uniform Cost Capitalization Rules.
- Taxpayer is not required to use the Simplified Resale Method as its method of accounting for inventories to reflect the Section 263A Uniform Cost Capitalization Rules because it has gross receipts under the three year average of \$10,000,000.

FORM 970 ORIGINAL LIFO ELECTION

A copy of original Form 970 LIFO election made by the taxpayer for the year _____ is attached.



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SERVICES, INC.

255 Shoreline Drive, Third Floor, Redwood City, CA 94065-1404
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Web: <http://www.camico.com>

As part of the CAMICO early warning system, we have recognized a potential issue, which we believe requires your immediate attention if you provide services to any **auto dealer clients**.

Revenue Procedure 97-44 (C.B. 1997-41, I.R.B. 8 (10/14/97)) placed some significant decisions (**LIFO Election Fee**) into your auto dealership clients' laps. These issues need to be carefully considered and decisions regarding the issues need to be executed **no later than May 31, 1998**.

Because CPAs are almost never involved in preparing their clients' factory statements, it is unlikely that your firm has any responsibility for any incorrectly prepared statements. However, some clients may assert that your firm has such responsibility. To avoid this assertion and to be in a position to offer some good value-added service to your client, it would be best to consider the following:

1. Review the attached informational memo to be thoroughly versed on the tax issues involved;
2. Read the two sample client letters, which are also attached. **Note that one letter is for current auto dealer clients and one letter is for auto dealers which were clients in the past but are not current clients;**
3. Make any necessary changes to the sample letters to meet your particular needs;*
4. Carefully review your client list to determine which auto dealer clients should receive a letter. **Note that your review should include any auto dealers that are not only current clients but were clients any time after 1990;**
5. Send the applicable letter (i.e., the letter for current clients or the letter for past clients) to the selected clients or selected past clients **as soon as possible but no later than April 1, 1998;** or
6. Meet with the selected current client(s), discuss the issues in the letter, and then send the letter to confirm the discussion in writing. The meeting should occur **as soon as possible but no later than April 1, 1998**. For past clients, merely send the applicable letter **as soon as possible but no later than April 1, 1998**.

*** If you are insured by CAMICO, please call if you need consultation with our tax specialist.**

If in the course of discussing these issues with your client, the client (or another party) asserts that your firm is responsible for the factory statement

LIFO Conformity Violations and Relief
1.800.652.1772

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LIFO non-conformity (or other non-conforming statements) and/or the Revenue Procedure 97-44 fee, please consider employing all or a combination of the following steps:

- State that the client prepared the factory statement without any assistance from your firm (if, in fact, that was the case);
- Indicate that at this point the client's main focus should be determining what actions, if any, the client will take to correct the LIFO non-conformity and whether the client will utilize the Revenue Procedure 97-44 fee settlement;
- State that after the client has made his/her decision regarding what steps, if any, the client will take to address the factory statement LIFO non-conformity and after a clear assessment has been made of all the facts surrounding your firm's past engagements, a discussion regarding responsibility can then occur.

Because your firm most likely had very little involvement regarding the factory statement preparation, your firm must avoid assuming any improper legal duties or responsibilities. Therefore, if your client (or another party) asserts that your firm is responsible for either the factory statement LIFO non-conformity and/or the Revenue Procedure 97-44 fee, call your insurance company.

Remember that this needs to be done SOON. We can appreciate how busy you are during tax season, but the Revenue Procedure 97-44 timeline left us with no other choice. We hope that the attached materials will help you service your clients in an efficient and effective manner.

Sincerely,
CAMICO Services

LIFO Conformity Violations and Relief
1.800.652.1772

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Form 3115 Disclosures...

Page 5, Schedule B (Changes Within the LIFO Inventory Method): Our practice is to simply type in the blank space area at the bottom of page 5: "Change is to Alternative LIFO Method Dollar-Value, Link-Chain Index Method in accordance with Revenue Procedure 97-36."

Pages 4, 6, 7 and 8: At the bottom of each page, we type: "This Page is Not Applicable."

FILING THE COPY OF FORM 3115 WITH THE NATIONAL OFFICE

After the original of the Form 3115 has been attached to the corporate income tax return for the year of change and filed with the appropriate Internal Revenue Service Center/District Director, a **copy** of Form 3115 is to be filed with the National Office. As mentioned earlier, it may be desirable to file the copy with the National Office before the original Form 3115 is filed with the tax return for the year of change.

Note from the proforma transmittal letter to the National Office (on page 29) that the addressee designation in the Instructions to Form 3115 is different from the addressee designation contained in Section 6.02(6) of Revenue Procedure 97-37. Does this really make a difference or do we flip a coin on this?

The Instructions to Form 3115 indicate that, normally, the IRS acknowledges receipt of a completed Form 3115 within 30 days after the applicant's filing date. However, applicants filing under any of the automatic change procedures will not receive an acknowledgment.

(Continued from page 26)

SUGGESTION

It would seem advisable to send/file the copy of the Form 3115 to the IRS National Office by certified mail or with one of the IRS approved carriers (Fed Ex, UPS, etc.) providing documentation of delivery. You should then retain the receipt or other evidence of delivery provided as proof of the date that the copy was filed with the National Office:

REBASING LIFO INDEXES TO 1.000 AS OF THE BEGINNING OF THE YEAR OF CHANGE

In making the changeover to the Alternative LIFO Method, one of the conditions or technical requirements is that the LIFO indexes as of the last day of the year **before** the year of change must be rebased to 1.000. Section 5.03(8) of Revenue Procedure 97-36 requires a recomputation of the prior years' LIFO indexes so that the first year under the Alternative LIFO Method reflects its opening inventory indexes rebased to 1.000 for **LIFO computation purposes only**.

These rebasing computations do not result in the repayment of any prior build-up of LIFO benefits or reserves ... and they have been extensively illustrated in past issues of the *LIFO Lookout* (December, 1992; March, 1993 and June, 1993).

It is **not** necessary to submit any of the LIFO index rebasing computations as attachments to the Form 3115 when it is filed with the tax return or when the copy of Form 3115 is filed with the National Office. These rebasing calculations can be done more leisurely ... in the normal course of events. *

The *De Filippis' LIFO Lookout* newsletter is a quarterly publication of LIFO News, Views and Ideas by Willard J. De Filippis, CPA, P.C., 317 West Prospect Avenue, Mt. Prospect, IL 60056. It is intended to provide accurate, general information on LIFO matters and it should not be construed as offering accounting or legal advice or accounting or legal opinion on any specific facts or circumstances. The contents are intended for general information purposes only. Readers should consult their certified public accountant, attorney and/or other competent advisors to discuss their own situations and specific LIFO questions. Mechanical or electronic reproduction or photocopying is prohibited without permission of the publisher. Annual subscription: \$325. Back issues available for \$70 each. Not assignable without consent. Any quoted material must be attributed to *De Filippis' LIFO Lookout* published by Willard J. De Filippis, CPA, P.C. Editorial comments and article suggestions are welcome and should be directed to Willard J. De Filippis at (847) 577-3977; FAX (847) 577-1073. INTERNET: <http://www.defilippis.com>. © Copyright 1998 Willard J. De Filippis. *De Filippis' LIFO Lookout* format designed by *Publish or Perish, Inc.* (630) 627-7227.

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De Filippis' LIFO LOOKOUT

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