



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. REV. PROC. 2002-17 EXPLAINS IRS REVERSAL OF POSITION & SAFE HARBOR METHOD FOR VALUING PARTS INVENTORIES.

Earlier this year, the IRS conceded the victory it sought and received in the Tax Court in denying Mountain State Ford Truck Sales the right to use replacement cost, instead of actual cost, for valuing its parts inventories.

In Revenue Procedure 2002-17, the IRS explained what needs to be done, or alternatively, what does not have to be done, by dealers in different situations.

Bottom Line: Dealerships already using the replacement cost method—as described in the Revenue Procedure and without any adjustment—don't have much to worry about or to do.

There is no doubt that the IRS description of its safe harbor replacement cost method for valuing parts inventories allows (i.e., prohibits) no further adjustments in an attempt to reduce the higher replacement cost results to approximate the lower actual cost.

Many dealerships are using various modifications, shortcuts, or other unorthodox estimate techniques to reduce replacement cost to estimated actual cost. These approaches loosely masquerade as methods of accounting for valuing parts inventories. ***These dealerships should consider filing Form 3115 to change to the IRS safe harbor replacement cost method in order to protect their prior years parts inventory valuations.***

Readers of the *LIFO Lookout* are aware of our strong opposition to suggesting any remedies for the IRS to consider ... other than outright capitulation. NADA, on the other hand, did submit several proposals to the IRS for skirting the Tax Court's mandate that only actual cost be used. NADA's document contains significant and helpful discussions relative

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to industry practices for parts inventories and the related LIFO ramifications. See pages 11-15 for more on this.

We have also included a Sample Letter for communicating with your dealer clients ... page 10 ... and reprinted the *IRS Automotive Alert!* summarizing the Revenue Procedure on page 16. The article from *DealersEdge CFO Report* on page 18 is also reprinted with permission.

see LIFO UPDATE, page 2

#2. UPDATED RULES FOR AUTOMATIC LIFO & ACCOUNTING METHOD CHANGES.

In the last issue of the *LIFO Lookout*, we detailed the changes made by Revenue Procedure 2002-9 to increase and liberalize the number of accounting method changes that can be made as "automatic" changes. These are changes that taxpayers can make without first securing permission from the IRS. In subsequently issuing Rev. Proc. 2002-19, the IRS modified some of the rules it previously issued in 2002-9. **One of these changes now gives a big break to taxpayers.**

In Rev. Proc. 2002-19, the IRS indicated that it will now allow taxpayers to deduct the entire amount of any favorable Section 481(a) adjustment in one year. Originally, Section 5.03 of Rev. Proc. 2002-9 indicated that negative Section 481(a) adjustments, i.e., taxpayer-favorable adjustments reducing taxable income, would have to be taken into income over four (4) years.

Accordingly, for current automatic method changes with negative Section 481(a) adjustments the entire deduction can be taken into account in one year. This is far more favorable than the original treatment. Some taxpayers may be eligible to refile a "Substitute Application Under Rev. Proc. 2002-19" to take advantage of this change for 2001.

One Problem Area. As one might expect, there is some confusion over the appropriate spread period, if any, if the accounting method change producing the net negative Section 481(a) adjustment **also** involves inventories that are on LIFO.

Computational approaches and practices in connection with these 3115s are all over the map. We are planning a thorough discussion of this in an upcoming issue of the *Lookout*.

#3. BIG SURPRISE FOR IRS AT APPEALS: TAXPAYER ESCAPES ALMOST \$5 MILLION OF LIFO RECAPTURE.

In October 18, 2000, the Tax Court held in *Coggin Automotive Corporation* that after a complicated restructuring involving a consolidated group of dealership corporations ... there should be a LIFO reserve recapture of roughly \$4.8 million.

In this case, the IRS threw two arguments at the taxpayer. The IRS first challenged the overall corporate group restructuring as a sham. The Tax Court did not agree with the IRS on this point. However, the Tax Court agreed with the IRS's second attack which was based on the direct application of Section 1363(d). This resulted in the almost \$5 million LIFO recapture. For an analysis of this case, see the December, 2000 *LIFO Lookout*.

Now comes a ... Big Surprise! The Tax Court has been reversed by the District Court upon appeal. This decision will be analyzed in the next issue of the *LIFO Lookout*.

#4. TERMINATION OF LIFO ELECTION

CONFIRMED BY APPEALS COURT.

In the September 2001 *LIFO Lookout*, we discussed the major loss to *Consolidated Manufacturing, Inc.* when its LIFO termination by the Tax Court was upheld by the U.S. Court of Appeals for the Tenth Circuit.

Consolidated Mfg. had lost its LIFO election because it had tried to "pick and choose" what inventory goods it put on LIFO. The Company was held to have made an invalid LIFO election with respect to the years 1990 and 1991.

With the same LIFO termination issue at stake, Consolidated filed a protective claim for refund in connection with its 1992 tax year. The District Court supported the IRS' refusal to refund any 1992 taxes because the taxpayer and the IRS, in their previous case, had agreed to be bound by the Tax Court's decision as if the 1992 tax year had been included in the earlier proceeding involving the years 1990 and 1991.

#5. ISP SETTLEMENT GUIDELINE ON

EARLIEST ACQUISITIONS.

In February, the IRS released its Settlement Guidelines for situations involving the use of various earliest acquisitions methods for valuing dollar-value LIFO pool increments. These Settlement Guidelines apply to all industries and continue the IRS's generally negative attitude towards this LIFO sub-election.

#6. SUPERLIFO vs. IRS "UNOFFICIAL" NEW ITEM DETERMINATIONS.

Over the years, we have compared our *SUPERLIFO* new item determinations with those made by the office of the IRS Motor Vehicle Technical Advisor.

Although many CPAs and/or dealers use service bureaus for their LIFO calculations, other firms still do their own calculations and make these determinations each year for themselves.

The last comparison, involving determinations for the manufacturer model years 2000-2001 appeared in the March 2001 *LIFO Lookout*. We have made a similar detailed comparison for the model year 2002 new items based on the listing released by the Motor Vehicle Technical Advisor dated April 25, 2002. For an overview, see page 19 which is followed by the detailed side-by-side comparisons and a summary of the differences.

✱



VALUING PARTS INVENTORIES ... WHETHER USING LIFO OR NOT ... THE REPLACEMENT COST METHOD

PARTS
REV. PROC.
2002-17

In a period of rising prices, the industry practice of valuing year-end parts inventories at replacement or current cost ... without any further adjustment ... actually results in higher tax liability for a dealership (using the LIFO method) than would the use of actual cost. Nevertheless, dealerships have continued to use current cost as the standard method for valuing their year-end inventories of parts and accessories.

This has been the case because the automobile and truck manufacturers require parts inventories to be valued at current cost. In addition, the software vendors who provide manufacturer authorized and approved data processing systems for dealerships have structured their systems to capture only this replacement or current cost information.

On April 1st, 2002 the IRS officially reversed its stance against the use of replacement cost as a substitute for actual cost in valuing auto and truck dealers' parts inventories. In Revenue Procedure 2002-17, the IRS describes the method for valuing year-end parts inventories that the Service says it will allow as a substitute for actual cost determinations.

Rev. Proc. 2002-17 is relatively brief ... considering the long and intensive struggles leading up to the Tax Court and afterwards involving the National Automobile Dealer Association lobbying to get the IRS to back off after its victory.

Bottom Line: Dealerships already using the replacement cost method—as specifically described in the Revenue Procedure—don't have much to worry about or to do.

R. P. 2002-17 OUTLINE

- Purpose
- Background
- Scope
- Replacement Cost Method
- Audit Protection for Taxpayers Currently Using the Replacement Cost Method
- Change in Method of Accounting
- Recordkeeping
- Effect on Other Documents
- Effective Date.

However, in our opinion, there is no doubt that the IRS description of its safe harbor replacement cost method for valuing parts inventories contemplates, or shall we say requires, that no further adjustments will be made to the resulting valuation in an attempt to reduce it to approximate, or estimate, the lower actual cost.

If this is correct, **dealerships using various shortcut, unorthodox or estimate techniques loosely masquerading as methods of accounting for valuing their parts inventories may want to change to the IRS safe harbor replacement cost method in order to protect their prior years parts inventory valuations.**

NADA INPUT TO THE IRS

In January 2000, the IRS had requested input from interested parties on its *Guidance Priority List for 2000*. One of the topics on its list related to the parts inventory valuation problem. In February 2000, the National Automobile Dealers Association (NADA) responded with comments suggesting that the matter of valuing parts inventories **in conjunction with the use of the LIFO method** should be further considered.

NADA submitted six proposals addressed to the implications of the Tax Court's unrealistic decision in *Mountain State Ford Truck Sales, Inc.*

NADA wanted the IRS to allow dealers "to approximate actual cost without unduly burdening the industry with the developmental costs for a whole new series of data processing system changes which, ultimately, result in little or no change in tax liability related to the valuation of and indexing of LIFO parts inventories."

It should be noted that NADA's emphasis was **not** on the fact that **all dealers cannot and do not use actual cost** regardless of whether or not they are on LIFO, and therefore, the industry-wide implications affect **all** dealers. Instead, the emphasis of NADA's submission was **limited to** those dealerships using LIFO and replacement cost as an increment valuation technique in connection with their dollar-value method LIFO elections.

see **VALUING PARTS INVENTORIES**, page 4



In its view, each of NADA's alternatives followed "the underlying rationale of existing regulations permitting reasonable approximation of actual cost." As a final alternative, NADA had suggested that dealers be allowed an automatic, painless termination of their LIFO elections for parts inventories.

Interestingly, Rev. Proc. 2002-17 does not address the multiplicity of computational techniques used by auto dealers, and it makes no mention of any of the computational approaches for parts inventories on LIFO presented to it by NADA for consideration. In short, Rev. Proc. 2002-17 reflects no evidence of any consideration of the technical LIFO-related issues raised by NADA in its submission.

UNANSWERED QUESTIONS ...

FOR LIFO TAXPAYERS AND FOR STATISTICAL SAMPLING APPLICATIONS

Where a LIFO election has been made for valuing the parts inventories, practitioners often apply sampling techniques ... statistical or non-statistical ... for better or for worse.

The proper application of statistical sampling techniques to (LIFO) inventories has always been a controversial subject. Despite all of its meetings over the years with the AICPA, the Tax Bar and the Big Eight, Seven, Six, Five, Four... firms and others, the IRS has never published any useful or official guidance on this to help LIFO taxpayers through the stat sampling minefield ... Rev. Proc. 64-4 notwithstanding.

Revenue Procedure 2002-17 contains no specific references to the use of LIFO ... nor to the use of statistical sampling ... in its description of the

replacement cost method that the IRS will accept. This leaves many unanswered questions related to whether less than all of the ending parts inventory can be repriced (i.e., "sampled") in determining the end-of-the-year replacement cost valuation and/or the computation of the inflation indexes for parts inventories.

Our coverage of Rev. Proc. 2002-17 and NADA's submission includes the following:

REV. PROC. 2002-17

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- Definitions & Requirements 6
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- Determining the Current-Year Cost of Items in a LIFO Parts Pool 12
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OTHER MATERIALS

- IRS *Automotive Alert!* issued by IRS Motor Vehicle Technical Advisor ... 16
- Reprint from June, 2002 *DealersEdge CFO Report* 18



De Filippis' LIFO LOOKOUT

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Parts Inventories

REPLACEMENT COST (IRS SAFE HARBOR) METHOD REV. PROC. 2002-17 - OVERVIEW & BACKGROUND

Overview of Rev. Proc. 2002-17

- Provides safe harbor accounting method for dealers' parts and accessories inventories.
- Allows dealers to approximate the actual cost of their parts inventories by using a replacement cost method based on end-of-the-year prices taken from manufacturers' standard price lists.
- Automatic consent to change granted in almost all cases.
- Section 10.02 of the *Appendix* of Rev. Proc. 2002-9 is amended to include a change to this safe harbor method as an automatic change in method not requiring advance IRS approval.

Effective Date

- Generally, effective for taxable years ending on or after December 31, 2001.

IRS Explanation of Mountain State Ford Decision

(Sec. 2.07)

- In *Mountain State Ford v. Commissioner*, 112 T.C. 58 (1999), the Tax Court held that a dealer that sold heavy truck parts and used the dollar-value LIFO method to account for its parts inventory was not entitled to determine the current-year cost of the parts in its ending inventory by reference to their replacement cost.
- In so holding, the Tax Court found that the dealer's replacement cost method was not in accordance with the method it had elected on its Form 970, *Application to Use LIFO Inventory Method*.
- The dealer's Form 970 indicated that it would determine the current-year cost of the items in its ending parts inventory by reference to the **actual** cost of the goods most recently purchased or produced. This would be in accordance with Reg. Sec. 1.472-8(e)(2)(ii)(a).
- The Tax Court further concluded that even if the dealer had elected to use another proper method (as provided for by Reg. Sec. 1.472-8(e)(2)(ii)(d)), the dealer could not use the replacement cost of the parts to determine current-year cost because replacement cost does not determine current-year cost on the basis of, or by reference to, actual cost (or in some instances a reasonable approximation of actual cost) in accordance with Section 472(b).

"Unique Circumstances" Considered by IRS Supporting Its Decision to Allow Replacement Cost Method Despite Its Victory in the Tax Court

(Sec. 2.08)

- **Industry Practice.** It has been the long-standing and widespread practice of automobile dealers to use replacement cost to determine the cost of their vehicle parts inventory both for financial accounting and for Federal income tax purposes.
- **Use of Replacement Cost Required by Third Party.** Automobile dealers are commonly required by their franchisors (*i.e.*, the vehicle's manufacturer) to value their vehicle parts inventory using replacement cost, rather than actual cost.
- **Substantial Burden Associated with Switching to Actual Cost.** The automobile dealer industry has represented that automobile dealers that are presently using replacement cost to value their vehicle parts inventory likely would incur substantial expense if they were required to modify their existing record keeping systems to determine the cost of such inventory using actual cost.
- **Replacement Cost Approximates Actual Cost in this Industry.** The automobile dealer industry has provided data to demonstrate that, on average, in their industry, due to relatively low inflation and high inventory turnover, the replacement cost of vehicle parts approximates the actual cost of such parts.

IRS - Dealer Win-Win Benefits

- Administrative convenience
- Recordkeeping burden simplification and/or reduction
- Avoidance of further controversy and/or hazards of litigation

Citation

- Revenue Procedure 2002-17; 2002-13 I.R.B. 1



Parts Inventories	<u>REPLACEMENT COST (IRS SAFE HARBOR) METHOD</u> <u>REV. PROC. 2002-17 - DEFINITIONS & REQUIREMENTS</u>
Scope (Sec. 3)	<ul style="list-style-type: none"> • Applies only to a taxpayer who is engaged in the trade or business of selling vehicle parts at retail <i>and</i> who is authorized under an agreement with one or more vehicle manufacturers or distributors to sell new automobiles or new light, medium, or heavy-duty trucks (automobile dealer). • This includes light, medium and heavy-duty truck dealers who are selling new vehicles.
In General (Sec. 4.01)	<ul style="list-style-type: none"> • A taxpayer/dealer within the scope is permitted to use the replacement cost method to approximate the actual cost of its vehicle parts inventory. • However, there are three requirements that must be satisfied (see below). • The replacement cost method may be used with either FIFO or LIFO inventory valuations. • Dealers subject to the Section 263A inventory cost cap rules must include in inventory costs the additional amounts required by Reg. Secs. 1.263A-1 and A-3 (e.g., freight costs).
Three Requirements of the Replacement Cost Method (Sec. 4.01)	<ul style="list-style-type: none"> • Dealer must determine the cost of the vehicle parts in its inventory by reference to the replacement cost of the vehicle parts, • Dealer must determine the replacement cost using a <i>standard price list</i>, and • Dealer must satisfy a <i>book conformity</i> requirement set forth in the Revenue Procedure. • <i>Observation:</i> Although not explicitly stated in the text of the Revenue Procedure, if taken literally, the above description of the replacement cost method does not anticipate (i.e., it would appear to preclude) any modifications or adjustments to the results obtained once the ending inventory has been tabulated at replacement cost. For more on this, see the discussion: "Dealers Using Unorthodox and/or Modified Replacement Cost Methods Should Consider Changing to the New Safe Harbor Method."
Definition of "Replacement Cost" (Sec. 4.02)	<ul style="list-style-type: none"> • "Replacement Cost" means the amount provided in a <i>standard price list</i> at which a vehicle part may be purchased by the dealer on the date of the inventory. • <i>What to do if part is not included on price list at the end of the year ...</i> If, on the date of the inventory, the vehicle part is not provided in a standard price list, the replacement cost for the part is equal to the last amount provided in a standard price list (i.e., the price at which the part was last offered for purchase in a standard price list). • <i>Observation:</i> This creates a problem for computations where the part is not "provided" in the year-end list and the cost for that part earlier in the year is simply omitted on the year-end run.
Definition of "Standard Price List" (Sec. 4.03)	<ul style="list-style-type: none"> • Definition: "A price list that is widely recognized and used for business purposes in the automobile dealer industry and that is used by the taxpayer in the ordinary course of its business to purchase the vehicle parts for which it is determining the cost." • In other words, the manufacturers' price lists are to be used. • <i>Observation:</i> No mention is made of procedures, if any, to be followed where the "date of the inventory" is not the same date as the end of the dealer's taxable year.
Book Conformity Requirement (Sec. 4.04)	<ul style="list-style-type: none"> • A dealer satisfies the book conformity requirement if it determines the cost of vehicle parts in its inventory using the replacement cost of the vehicle parts ... when it ascertains the income, profit, or loss of its trade or business for purposes of its books, records, and reports (including financial statements) to its shareholders, partners, other proprietors, beneficiaries, and creditors. • The above is rather wordy, but it is taken directly from the Revenue Procedure. • Stated more simply, the IRS requires that the valuation computed using the replacement cost method must be used for valuing parts inventories for all financial reporting purposes if it is going to be used for Federal tax purposes. • <i>Observation:</i> This requirement is similar to the financial statement conformity requirement imposed on all LIFO taxpayers.



Parts Inventories

REPLACEMENT COST (IRS SAFE HARBOR) METHOD REV. PROC. 2002-17 - AUDIT PROTECTION FOR CHANGES

Audit Protection for Dealers Already Using Replacement Cost Method (Sec. 5)

- **No Form 3115 is required.** A dealer who is already using the replacement cost method for valuing parts inventories *may continue* to use this method *without filing a Form 3115 (Application for Change in Accounting Method)*.
- This applies to dealers using the replacement cost method on March 12, 2002.
- **Audit Protection.** The IRS will not question the use of the replacement cost method in a taxable year that ends before December 31, 2001.
- If the dealer is involved in an IRS audit and the use of the replacement cost method is already an issue, the IRS will drop the issue, and it will not be further pursued.

Dealers Using Unorthodox and/or Modified Replacement Cost Methods Should Consider Changing to the New Safe Harbor Method

- Virtually every dealer in the United States has been using some variation of the replacement cost method because it is not possible - and it never has been possible - to determine actual cost of the ending inventory. There never has been any real alternative to the use of replacement cost, and any pretense that auto and truck dealers could determine actual cost for their parts inventories has finally been put to rest.
- However, many dealers apply various modification techniques by which they attempt to adjust/reduce their year-end replacement cost valuations (which are generally higher in inflationary periods) to actual cost. This is often done by factoring in turnover ratios, etc.
- Other dealers simply may have been consistently reducing their replacement cost "results" by some arbitrary factor (for example, a flat 10 or 15%) or by a historical derivative computed by some subjective methodology.
- Whether these practices can be defended as *methods of accounting* that result in a "clear reflection of income" may be arguable, depending on the facts and circumstances.
- It cannot be said that the use of any of these approaches qualifies the dealer for protection under Rev. Proc. 2002-17 since the Rev. Proc. makes no mention in Section 4 of any methods that further adjust replacement cost valuations to approximate actual cost.
- Dealers currently using any of these "modified replacement cost methods" ... or other variations or other unsupportable general writedown procedures, may wish to be safe and to avoid controversy with the IRS over their prior methods.
- These dealers should consider changing to the new safe harbor "replacement cost method" as described in Section 4 of Rev. Proc. 2002-17.
- Under these circumstances, special procedures for changing apply (see below).

Audit Protection for Dealers who Want to Change to the Replacement Cost Method (Sec. 6.03)

- This audit protection is to be distinguished from the audit protection afforded by the Rev. Proc. in Section 5 to dealers already using the replacement cost method (without modification), as described in Section 4. The key is "change to" versus "already on" the approved method.
- **Audit Protection.** Generally, dealers changing to the replacement cost method will receive audit protection for any taxable year before the year of change. This applies regardless of whether the dealer is also using LIFO.
- **Special Two-Year Rule.** However, the dealer will not receive audit protection for a prior year if this change in method is made for the dealer's first or second taxable year ending on or after December 31, 2001, **and** the dealer's method of determining cost (other than by use of replacement cost) for its vehicle parts inventory under either Sections 471 or 472 is an IRS audit issue under consideration as of March 12, 2002.

Procedures

- The procedures for dealers who want to change to the replacement cost method are described on the following page.



Parts Inventories	<u>REPLACEMENT COST (IRS SAFE HARBOR) METHOD</u> <u>REV. PROC. 2002-17 - PROCEDURES FOR CHANGING METHODS</u>
Procedures For Changing to the Replacement Cost Method (Sec. 6.01)	<ul style="list-style-type: none"> • A dealer who wants to change to use the IRS safe harbor method for a year ending on or after December 31, 2001, must file Form 3115 (<i>Application for Change in Accounting Method</i>). • Automatic Change. The dealer must follow the automatic change in accounting method provisions of Revenue Procedure 2002-9 (2002-3, IRB 327) with certain modifications. • These Forms 3115 are subject to four special modifications in procedure.
(Sec. 6.02)	<i>Four Modifications in Procedures for Dealers Changing to the Replacement Cost Method</i>
No Section 481(a) Adjustment Cut-Off Method Applies	<ul style="list-style-type: none"> • First ... Cut-Off Method Applies; No Sec. 481(a) Adjustment. The change to the replacement cost method (under the provisions of Rev. Proc. 2002-9) must be effected on a cut-off method. Accordingly, there will be no Section 481(a) adjustment. <i>Observation:</i> If this were not the case, dealers might be filing claims for refund and the IRS might be issuing refund checks if the dealers could show that their use of modified replacement cost methods resulted in inventory valuations that were greater than actual cost. In a period of rising prices, the replacement cost method generally overstates the valuation of ending inventory <i>vis-à-vis</i> actual cost. On the other hand, the IRS might require the dealers to produce some proof to back up their claims. Dealers might have to satisfy significant burden of proof and recordkeeping requirements in connection with their claims for refunds and their negative Sec. 481(a) adjustment computations. And, we all know that they would have great difficulty producing this detail. The IRS has simply side-stepped controversies involving these issues by providing that the cut-off method is to be used and no adjustments will be made to the previous ending inventory valuation if this change in method is made.
Amended Tax Return with Form 3115 Due by September 9, 2002	<ul style="list-style-type: none"> • Second ... Action Required No Later than September 9, 2002. If the dealer changing to the replacement cost method wants to make the change for its first taxable year ending on or after Dec. 31, 2001 and the Federal tax return for that year was filed before April 11, 2002. ... The dealer must file a Form 3115 in duplicate. <ul style="list-style-type: none"> ▫ The original of Form 3115 must be attached to an amended Federal income tax return for the dealer's first taxable year ending on or after Dec. 31, 2001. This amended tax return must be filed no later than September 9, 2002. ▫ A copy of the Form 3115 must be filed with the IRS National Office in Washington, D.C. (see Section 6.02(6) of Rev. Proc. 2002-9) no later than when the dealer's amended tax return is filed. ▫ These Form 3115 filing procedures are to be followed instead of those set forth in Section 6.02(3)(a) of Rev. Proc. 2002-9.
Special Wording	<ul style="list-style-type: none"> • Third ... Special Heading on Form 3115. All applicable parts of Form 3115 should be completed. At the top of Page 1 of Form 3115, the following wording/label should appear: "Filed under Rev. Proc. 2002-17." This wording should be used in lieu of the label otherwise required by Section 6.02(4) of Rev. Proc. 2002-9.
Other	<ul style="list-style-type: none"> • Fourth, the scope limitations in Section 4.02 of Rev. Proc. 2002-9 do not apply to a dealer who wants to make the change for its first or second taxable year ending on or after December 31, 2001.



Parts Inventories

REPLACEMENT COST (IRS SAFE HARBOR) METHOD **REV. PROC. 2002-17 - RECORDKEEPING & OTHER MATTERS**

Recordkeeping Requirements (Sec. 7)

- "In order to satisfy the record keeping requirements of Section 6001 and the regulations thereunder, a taxpayer (dealer) that uses the replacement cost method should maintain records supporting all aspects of its inventory valuation including, but not limited to, the price list described in Section 4 of this Revenue Procedure."
- The books or records required by Section 6001 must be kept at all times available for inspection by the IRS, and must be retained so long as their contents may become material in the administration of any Internal Revenue law.
- This means that voluminous parts invoices and listings, if on paper, must be maintained, along with corresponding pricing information. If parts inventory information is received and retained on tape or other electronic media, the same information must be maintained in a manner that permits the IRS to reconstruct or recompute the parts valuation used at the end of the year for tax purposes.
- The requirements of Rev. Proc. 98-25 and Rev. Rul. 71-20 should be considered in this regard by all dealers with assets in excess of \$10 million.

What About Used Car Dealers?

- Independent used car dealers, in general, are not covered by this Revenue Procedure (See Scope, Section 3). Therefore, used car dealers do not qualify to use the replacement cost method for their parts inventories.
- *Opinion:* This is somewhat illogical. Realistically, what are used car dealers supposed to do? This application should have been covered at the same time. ... NIADA, are you listening?

Many Other Industries Are Not Covered

- Currently, the IRS has limited the use of the replacement cost method to new auto dealers and new light, medium and heavy-duty truck dealers.
- In addition to used car dealers, other major users of replacement cost include distributors and wholesalers of plumbing, electrical, heating, air conditioning, lighting and many other suppliers. Thousands of other businesses also use replacement cost accounting in some form for their parts inventories.
- Rev. Proc. 2002-17 says that the IRS will consider the development and/or application of a similar type of safe harbor valuation approach for other industries.

Selected Bibliography

Previous LIFO Lookout Articles

- *Mountain State Ford Truck Sales, Inc. & the Use of Replacement Cost for Valuing Parts Inventories ... Some Recent Developments ...* March, 2000, pg. 4.
- *Letter to Taxpayer Advocate in Support of Use of Replacement Cost ...* March, 2000, pg. 6.
- *Update on LIFO Matters from the IRS Motor Vehicle Specialist ...* December, 1999, pg. 2.
- *NADA Proposals for Settling Replacement Cost Controversy ...* September, 1999, pg. 2.
- *Adiós, Common Sense ... Hello, Confusion: One Personal Opinion on the Mountain State Ford Parts Mess ...* June, 1999, pg. 20.
- *Why NADA Shouldn't Help the IRS ... Yet ...* June, 1999, pg. 22.
- *The IRS Accepted Replacement Cost in the Past...Why Change Now? ...* June, 1999, pg. 24.
- *FSA 1999-501: Replacement Cost Method for Valuing Parts ...* June, 1999, pg. 16.
- *Mountain Sate Ford Truck Sales, Inc.: Dealers Can't Use Replacement Cost for Parts Inventories on LIFO ...* March, 1999, pg. 3.
- *IRS Says "NO" to Replacement Cost for Parts LIFO: LTR 9433004 ...* Sept., 1994, pg. 3.
- *Acceptability of Replacement Cost Accounting for "Parts-Type" Inventories ...* June, 1994, pg. 4.



IRS SAFE HARBOR METHOD FOR VALUING AUTO DEALERS' PARTS INVENTORIES

*Sample
Letter
to Clients*

Mr./Ms. Dealer and/or CEO
XYZ Dealership Group

_____, 2002

Dear _____:

Re: Parts Inventory Valuation Methods

Earlier this year, the IRS officially clarified its position concerning what it will accept as a proper or safe harbor method for valuing new auto and truck dealers' inventories of parts and accessories. Previously, the IRS had taken the position that dealers must value their parts at actual cost, instead of using the standard industry practice of replacement cost.

In a much publicized case, *Mountain State Ford*, the IRS took a heavy-duty truck dealer to the Tax Court over this issue, and the IRS won. However, after some time and reflection, the IRS changed its mind. It has now backed away from its "victory" in the Tax Court which prohibited the use of any method other than actual cost.

In Revenue Procedure 2002-17, the IRS describes the more reasonable approach that it will accept.

Essentially, the IRS safe harbor valuation method allows a dealer to determine the cost of vehicle parts in ending inventory by reference to their replacement cost using the manufacturers' standard price lists. This replacement cost valuation used for tax purposes must also be used in all other dealership financial reporting.

Many dealers are already following practices that are very close, if not identical, to this safe harbor replacement cost method. If the method for valuing your parts inventory that you are presently using satisfies these requirements, no filings with the IRS are necessary, and no action is required at this time.

However, if you're using some variation or a different method or approach, we should discuss the advisability of making a change to the now-acceptable replacement cost method.

If such a change is desirable and your tax return for 2001 has already been filed, all that needs to be done (if you are not currently under IRS audit) is to file a Form 3115, *Application for Change in Accounting Method*, with an amended return before September 9, 2002. A copy of the Form 3115 included with the amended return also has to be filed with/mailed to the IRS National Office in Washington, D.C. (**See substitute wording for fiscal year dealerships*)

That's all: No advance approval from the IRS is required. No change or adjustment to the inventory valuations or to any other previously reported tax figures are required. The IRS will automatically allow the change to its safe harbor replacement cost method as long as it is notified in the manner described above.

ADDITIONAL WORDING FOR PARTS LIFO ELECTIONS

Regarding Your LIFO Reserves for Your Parts Inventories. Over the years, you have built up substantial tax savings by using LIFO for your parts inventories. The ramifications of Rev. Proc. 2002-17 and your current inventory valuation method should be considered in order to safeguard these LIFO benefits, as well.

* * *

Enclosed is some additional background information. At your convenience, please call us to discuss this further.

**** Substitute wording for dealerships with fiscal tax years:***

If such a change is necessary and/or desirable in connection with your dealership's fiscal year-ended _____, 2002 tax return, we should discuss the necessary Form 3115 filings to be included with that tax return. A copy of the Form 3115 included with the Federal return for FYE _____, 2002 also has to be filed with/mailed to the IRS National Office in Washington, D.C.



INDUSTRY PRACTICES FOR VALUING PARTS INVENTORIES **WITH LIFO ELECTIONS**

<i>Manufacturers' Reporting Requirements</i>	<ul style="list-style-type: none"> • Retail automobile and truck dealerships operate under voluminous and detailed franchise agreements with manufacturers. These agreements contain a plethora of operating and reporting requirements. • Franchise agreements generally require that dealerships comply with the manufacturers' accounting manuals, which typically mandate that dealerships report, in their monthly operating statements, the value of their parts inventories on the basis of the most recently supplied manufacturers' price tapes.
<i>Perpetual Inventory Records</i>	<ul style="list-style-type: none"> • Dealerships maintain a perpetual inventory record keeping system through the use of manufacturer provided computer services systems or authorized computer services vendors. • Each of the computer services vendors receives price update tapes from more than 80 separate parts manufacturers, each of whom furnish replacement parts to automobile and truck dealerships. • These price update tapes are furnished monthly, quarterly, semi-annually or, in some cases, annually by the different parts manufacturers, and each is incorporated into the dealership's computer system on the designated effective date for the update.
<i>Daily Activities</i>	<ul style="list-style-type: none"> • Dealerships acquire and sell parts each day. When parts are received from the manufacturer by the dealership, they are generally accompanied by packing sheets which indicate the part number and number of units of each part the manufacturer has shipped or intended to ship. Dealerships enter this information into their perpetual inventory record keeping system.
<i>Monthly Invoices, Reconciliations & Adjustments</i>	<ul style="list-style-type: none"> • On a monthly basis, dealerships receive manufacturers' invoices for parts shipped or intended to be shipped. • In the case of some manufacturers, the invoice may indicate the parts numbers, quantity of parts shipped and purchase price for each part. Other manufacturers simply invoice a gross amount for all parts shipped without listing prices by part number. • Where packing sheets incorrectly contain parts not shipped or parts not ordered and a dealership files a shortage claim or returns the parts erroneously shipped, generally the manufacturer will issue a credit to the dealership for such claim or return based on the price in effect around the time of such claim or return, regardless of whether such parts were originally invoiced at a different price.
<i>Manufacturers' Prices Via Vendor Tapes</i>	<ul style="list-style-type: none"> • In determining the current-year cost of items making up the parts inventory pool, dealerships apply the parts cost information available in their computer systems. • This information is typically the price data that was supplied on the manufacturers' most recent price update tapes.
<i>LIFO Inflation Indexes Based on Current Cost</i>	<ul style="list-style-type: none"> • To determine the current-year LIFO value of the dollar-value pool for all parts, dealerships generally compare the parts prices on the latest price tape with the prices for the same parts as of the beginning of the year and create an index for the current year. • That index is multiplied by the prior-year cumulative index to develop a cumulative index.
<i>Numerous Practices Used to Approximate Actual Cost</i>	<ul style="list-style-type: none"> • The current practice of many dealerships in valuing the items in the year-end inventory closely approximates actual cost based on most recent purchases. • Many dealerships determine the current-year cost of items in the parts inventory by valuing parts on hand at the close of business on December 31 (assuming a calendar-year taxpayer), against then-current manufacturers' price lists. These price lists were issued on an earlier date. • For instance, the price lists may have been issued on December 1 (for manufacturers who update price lists monthly), or October 1, for manufacturers who update price lists quarterly. • Where a manufacturer issues parts price updates monthly, the prices for all parts do not necessarily change on December 1. In fact, pricing of most parts has tended to remain stable throughout the October 1, through December 31, quarter. • The prices in effect on December 31, therefore, are, for most dealerships, prices that were in effect when a substantial portion of the parts in the year-end on-hand inventory were purchased. • <i>Taken as a whole</i>, and assuming an average number of inventory turns of between four and twelve, <i>this method closely approximates the actual cost of most recent purchases of the items in the closing inventory.</i> • Information supplied by a number of accountants and other service providers suggests that <i>there may be considerable variation in the adjustments dealers make to approximate the actual cost of their inventories.</i>
<i>Source</i>	<ul style="list-style-type: none"> • Attachment to NADA letter to the IRS dated Feb. 4, 2000 entitled "Determining the Current-Year Cost of Items in an Automobile or Truck Dealership Parts Inventory Pool under the LIFO Method of Accounting."



**DETERMINING THE CURRENT-YEAR COST
OF ITEMS IN A LIFO PARTS POOL ...
MOUNTAIN STATE FORD & THE USE OF REPLACEMENT COST**

***NADA's
Perspective
&
Emphasis on
LIFO
Situations***

- On March 2, 1999, the U.S. Tax Court issued its opinion in *Mountain State Ford Truck Sales v. Commissioner*, 112 T.C. No. 7. The Court determined that Mountain State Ford's method of using replacement cost in determining the current-year cost of its parts inventory pool under the LIFO method of accounting does not clearly reflect income.
- The decision of the Tax Court, based on the facts and circumstances in the case of a single taxpayer, yet couched in terms of generally applicable rules, has created an untenable situation for retail automobile and truck dealerships *using the LIFO method for parts inventories*.
- The Tax Court's ruling ostensibly bars the use of the most common alternative increment valuation method currently employed by the retail automobile industry in making parts LIFO computations.
- To appreciate the full impact of this holding, both industry costing practices and inventory turnover must be considered. Because most dealerships typically turn over their parts inventories numerous times each year, a significant portion of the year-end on-hand inventory is acquired at manufacturer pricing in effect at year end and is thus valued at actual cost.
- To the extent, however, *Mountain State Ford* might be read as requiring that ALL items in the year-end inventory be valued at actual invoice cost, the case presents a major challenge for automobile and truck dealerships *employing the LIFO method of accounting for their parts inventories*.
- It is well understood by both the IRS and the taxpayers affected that the current method of using replacement cost in determining the current-year cost of a parts inventory pool *under the LIFO method of accounting*, results in a smaller tax benefit than would result from using actual cost of the items.
- Given the size of dealership parts inventories and the limitations of present dealership computer systems, it remains administratively unfeasible today to determine current-year cost of a parts inventory pool based on actual invoice prices of the items in the inventory.
- **LIFO Lookout Comment.** Although NADA's submission to the IRS was limited to situations where dealerships were using LIFO for their parts inventories, perhaps a stronger argument for the use of replacement cost could have been made by pointing out that the Tax Court ruling "ostensibly bars" the use of replacement cost by all automobile and truck dealerships, regardless of whether or not they were using LIFO.

***Use of
Reasonable
Approximations***

- As the Tax Court itself acknowledges in *Mountain State Ford*, "in certain instances, a reasonable approximation of [actual] cost" can qualify as any other method which clearly reflects income. 112 T.C. No. 7 at 41.
- Accordingly, under the statute and regulations as construed in *Mountain State Ford*, the IRS unquestionably has the discretion to approve a method that, in the opinion of the Commissioner: (1) reasonably approximates actual cost and (2) clearly reflects income.

***The LIFO
Regulations
Allow a Choice***

- The total current-year cost of items making up a pool may be determined ...
 - By reference to the actual cost of the goods most recently purchased;
 - By reference to the actual cost of the goods purchased during the tax year in the order of acquisition;
 - By the application of an average unit cost equal to the aggregate cost of all of the goods purchased throughout the tax year divided by the total number of units so purchased;
 - Pursuant to any other proper method which, in the opinion of the Commissioner, clearly reflects income.
- Citation: Reg. Sec. 1.472-8(e)(2)(ii)



***Prior Acceptance
of Replacement
Cost by IRS***

- Twenty-four years ago, the IRS ruled that a taxpayer could use "current replacement value" to determine the current-year cost of a parts inventory pool *for LIFO purposes*. PLR 7503130350B (March 13, 1975). The IRS acknowledged (perhaps understating the point) that the taxpayer was using replacement cost "to avoid the additional work involved if each item in inventory was separately costed from the vendor's individual invoices."
- The Service ruled that, in accordance with Reg. Sec. 1.472-8(e)(ii)(d), "You may value your current year costs for the parts and accessories inventory utilizing the current replacement value."
- Over the last 10 years the IRS has provided guidance to retail automobile and heavy truck dealerships regarding the use of the LIFO method for parts and accessories inventories. In PLR 8906001 (Sept. 2, 1988), the IRS concluded that the taxpayer can use the *replacement cost method* for valuing increments under the dollar-value LIFO method relating to parts inventories.
- The LTR noted specifically, that:

"One of the reasons that the regulations permit several alternative increment valuation methods is that it simplifies the LIFO computations if the taxpayer is able to coordinate its method of valuing increments with the method of determining current-year cost that is used in maintaining the taxpayer's underlying inventory records.

"The choice of any particular alternative will have no impact on the determination of whether an increment exists or on the determination of how large an increment or decrement is created when measured at base-year or current-year cost. A taxpayer's choice of increment valuation method affects only the determination of the LIFO carrying value of the increment. The earliest acquisition cost method would produce the lowest incremental value and the greatest LIFO benefits in times of inflation, followed by the average acquisitions cost method and then the latest acquisitions cost method. The current replacement cost method would produce the highest incremental value and lowest LIFO benefit in times of inflation."
- ***LIFO Lookout Comment.*** A third instance of IRS acceptance of the use of replacement cost for parts inventories ... Field Service Advice 1999-501 ... could have been cited. See *LIFO Lookout*, June 1999, pgs. 24-27 for analyses of LTR 7503130350B, 8906001 & FSA 1999-501.

***Other
Regulations
Permitting
Reasonable
Approximations***

- A number of different approaches are proposed for consideration. In each case, the underlying rationale of existing regulations permitting reasonable approximation of actual cost has been followed.
- Examples of other Regulations permitting approximation
 - Reg. Sec. 1.471-8 authorizing approximation of cost using the "retail method,"
 - Reg. Sec. 1.472-8(e)(3) re: computation of an inventory price index based on relative costs,
 - Reg. Sec. 1.471-11(d)(3) permitting manufacturers to disregard less than significant variance in using the "standard cost" method.

***NADA's
Five
Computation
Alternatives***

- #1. ***Approximation of Earliest Acquisition Costs***
- #2. ***Approximation of Average Acquisition Cost***
- #3. ***Approximation of Most Recent Purchases
Using Manufacturers' Pricing in Effect at Year-End***
- #4. ***Approximation of Most Recent Purchases
Using Price Tapes as of an Earlier Date than End-of-Year***
- #5. ***Approximation of Most Recent Purchases
Using End-Of-Year Price Tapes, Together with a Mathematical Adjustment***
- For a discussion of each of the alternatives, see pages 14-15.
- NADA's final suggestion was that dealers be allowed to terminate a LIFO election for their parts inventories without adverse consequences.

Source

- Attachment to National Automobile Dealers Association letter to the IRS dated February 4, 2000 entitled "Determining the Current-Year Cost of Items in an Automobile or Truck Dealership Parts Inventory Pool under the LIFO Method of Accounting." Note: This material was submitted by NADA in response to IRS Notice 2002-10 re: *IRS Guidance Priority List for 2000*.



NADA'S FIVE PROPOSALS**FOR COORDINATING THE USE OF REPLACEMENT COST
WITH THE CURRENT-YEAR COSTS OF ITEMS IN A LIFO PARTS POOL****NADA
Proposals**

- NADA's proposed approaches follow the underlying rationale of existing Regulations permitting reasonable approximation of actual cost.
- Five proposed calculations for approximating costs under different methods ... i.e., most recent purchases, earliest acquisitions and average acquisition costs.
- NADA's sixth suggestion was that dealers be allowed an automatic, painless termination of their LIFO elections for parts inventories.

#1***Approximation of Earliest Acquisition Costs***

- Current-year cost of items in the closing inventory based on actual cost of earliest acquisitions would be approximated by pricing items in the end-of-year inventory against manufacturers' prices in effect at the beginning of the year.
- Under this method, a substantial percentage of the parts in the ending inventory would be valued at a demonstrably incurred cost during the current year.

#2***Approximation of Average Acquisition Cost***

- Dealerships would approximate the current-year cost of the closing inventory based on average acquisition cost by pricing items in the end-of-year inventory against the manufacturers' parts price list in effect at the mid-point of the taxable year.
- Alternatively, dealerships would compute the average acquisition cost by adding the year-end on-hand value based on prices in effect on December 31 (assuming a calendar year taxpayer) to the value of the year-end on-hand inventory priced at beginning-of-year prices, and then dividing that sum by two.
- Under either approach, the dealership would be closely approximating the average current-year acquisition cost of the items in the ending inventory.

#3***Approximation of Most Recent Purchases
Using Manufacturers' Pricing in Effect at Year-End***

- The current-year cost of items in the parts inventory, based on most recent purchases, would be approximated using the manufacturers' prices in effect at the end of the taxable year. The dealership would value its on-hand parts inventory at the close of business on December 31 (assuming calendar-year taxpayers), using then-current manufacturers' price data.
- Because manufacturers typically issue price updates on the first of the month, the pricing in effect at close of business on December 31, is, generally, pricing that was issued either December 1, for those manufacturers who update price lists monthly, or October 1, for manufacturers who update prices quarterly.
- Accordingly, assuming high inventory turn, a significant portion of the units in the ending inventory would have been purchased at the prices in effect on December 31.

NOTE: THIS IS THE REPLACEMENT COST METHOD ADOPTED IN SECTION 4 OF REV. PROC. 2002-17.

#4***Approximation of Most Recent Purchases
Using Price Tapes as of an Earlier Date than End-of-Year***

- Dealerships would determine the current-year cost of items in the inventory by pricing the items in the closing inventory against manufacturer price tapes from a date earlier than year-end.
- The tapes would be selected based on the dealership's parts inventory turn so that the majority of the part numbers in the ending inventory would have been purchased, most recently, at the prices on the selected tape.
- For instance, if a dealership's average parts inventory turn is three times per year, it could price the closing inventory against the price tape issued on September 1 (assuming a calendar year taxpayer) because purchases would have been made at those prices for a significant portion of the part numbers in the inventory on hand at year-end.



NADA'S FIVE PROPOSALS
FOR COORDINATING THE USE OF REPLACEMENT COST
WITH THE CURRENT-YEAR COSTS OF ITEMS IN A LIFO PARTS POOL

#5

Approximation of Most Recent Purchases
Using End-Of-Year Price Tapes, Together with a Mathematical Adjustment

- The current-year cost of items in the closing inventory, based on most recent purchases, would be approximated by pricing the inventory against pricing in effect on December 31, and then ***mathematically adjusting that number using a formula designed to approximate the average cost paid during the latest cycle of purchases, based on the dealership's calculated parts inventory turn.*** Although the description that follows assumes inflation, this concept could be set up to adjust for either inflation or deflation.
- **FOUR STEP PROCEDURE**
 1. The beginning inventory (valued utilizing the manufacturers' price lists in effect at the close of the prior taxable year) would be added to the closing inventory (valued utilizing the manufacturers' price lists in effect on the last day of the current taxable year). This sum would then be divided by 2 to determine the average inventory value for the current year.
 2. Total cost of parts sales for the current year would then be divided by the value of the average inventory obtained in step 1. That calculation produces the average number of inventory turns for the taxable year.
 3. The end of year inventory at the beginning of year prices would then be compared to the end of year inventory priced at the end of year prices. By dividing the end of year value by the beginning of year value, the inflation in value for the year is obtained.
 4. This step produces the current-year cost of items in the ending inventory adjusted to approximate cost of most recent purchases.
 - (a) The year's inflation is then divided by the number of inventory turns for the year calculated in step 2 above. The result of this calculation produces the average amount of inflation per inventory turn.
 - (b) This amount is then divided by 2 to yield the inflation attributable to one-half of an inventory turn.
 - (c) The inflation percentage for the year is then reduced by the amount of inflation calculated for one-half inventory turn. The result is the adjusted inflation index for the current year.
 - (d) This number is then applied to the ending inventory value calculated in step 3 at the beginning of year price tapes. The result is the current-year cost of items in the ending inventory ***adjusted to approximate cost of most recent purchases.***
- **EXAMPLE.** Dealership has annual parts sales of \$2 million at cost. Beginning inventory is valued at \$500,000. Ending inventory (based on price tapes in effect at year-end) is valued at \$550,000. Ending inventory priced against the manufacturers' price tapes in effect at the beginning of the year is \$530,000.

Step 1	$500,000 + 550,000 = 1,050,000 \dots 1,050,000 / 2 = 525,000$
Step 2	$2,000,000 / 525,000 = 3.81$ (Average inventory turns)
Step 3	$550,000 / 530,000 = 1.0377$ (Inflation rate, as computed)
Step 4(a)	$3.77\% / 3.81 = .989$ (Inflation rate / inventory turn)
4(b)	$.989 / 2 = .4945$ (Inflation attributable to 1/2 turn)
4(c)	$1.0377 - .004945 = 1.03275$ (Adjusted inflation index for the year)
4(d)	$1.03275 \times 530,000 = 547,358$

Conclusion: \$547,358 = Current-year cost of items in the closing inventory adjusted to approximate most recent purchases.

Source

- Attachment to NADA letter to the IRS dated Feb. 4, 2000 entitled "Determining the Current-Year Cost of Items in an Automobile or Truck Dealership Parts Inventory Pool under the LIFO Method of Accounting."



Internal Revenue Service
Motor Vehicle Technical Advisor
Automotive Alert!

March 29, 2002

**Safe Harbor Revenue Procedure Allows Dealers'
Continued Use of Replacement Cost**

Introduction

On March 11, 2002, the IRS released the long anticipated resolution to the replacement cost LIFO issue. Revenue Procedure 2002-17 describes a safe harbor method of accounting for vehicle parts inventory that allows automobile dealers to approximate the cost of their parts inventory using the replacement cost of the parts. The revenue procedure also includes procedures for dealers to receive automatic consent to change to the replacement cost method.

Discussion

Automobile dealerships normally carry a significant inventory of parts for use in the dealership service department and for retail sales. Dealers are generally required by their franchiser (manufacturer/distributor) to value their parts inventory at replacement cost rather than at the historical purchase cost of each part. To assist dealers in valuing parts at replacement cost, the manufacturer or other parts supplier provides the dealer with periodic price updates. Once the dealership processes the price updates, the historical purchase price of the parts is not maintained by the computer system.

In 1999, the Tax Court ruled in Mountain State Ford V. Commissioner, 112 T.C. 58 (1999) that a heavy truck dealership that used the LIFO method of accounting for its parts inventory was not entitled to determine the current-year cost of those parts using re-

placement cost. In reaching its decision, the Court determined that the use of replacement cost was not allowable because it does not determine current-year cost on the basis of actual cost as required by IRC §472.

Shortly after the Mountain State ruling, the National Auto Dealers Association (NADA) provided the IRS with several recommendations for resolving the issue. The NADA also provided a discussion of the potential impediments to an auto dealer's compliance with the historical cost requirements of LIFO.

According to the industry, the use of replacement cost is long-standing industry practice and is required by the dealer's franchiser. Industry representatives also stated that changing to actual cost would impose a substantial burden on automobile dealerships. After careful consideration of the auto dealership industry's unique circumstances and data provided by the industry that indicates that replacement approximates cost, the Service developed the Replacement Cost Method for valuing parts inventories of auto dealerships.

Overview of the Method

The method described in Revenue Procedure 2002-17 applies to a specific group of taxpayers. To qualify, a taxpayer must be engaged in the trade or business of selling vehicle parts at retail and must be authorized by one or more manufacturers or distributors to sell new automobiles or light, medium or



heavy trucks. The replacement cost method may be used in conjunction with either the First-in, First-out (FIFO) inventory method or the Last-in, First-out (LIFO) method.

The method authorizes a qualifying taxpayer to "determine the cost of vehicle parts in inventory by reference to the replacement cost of the part[s]...". Replacement cost is defined as the amount provided in a "standard price list" on the date of the dealer's inventory. The price list must be one that is widely recognized, used for business purposes in the industry, and used by the dealer to purchase vehicle parts. In addition, a dealership that elects the Replacement Cost Method must satisfy the conformity requirement and use the method for financial reports and tax.

Changing to the Method

Qualifying dealers that are using the replacement cost method described in Revenue Procedure 2002-17 on March 12, may continue to use the safe harbor method without filing a Form 3115, Application for Change in Method of Accounting. The revenue procedure also provides audit protection for years ending before December 31, 2001. If the dealer is under examination and the issue is currently under consideration, the revenue procedure mandates that the issue will not be pursued.

Dealers that are not using the replacement cost method on March 12, 2002 must follow the automatic change provisions of Revenue Procedure 2002-9 with certain modifications. Modifications include making the change on a cut-off basis, i.e. without a §481(a) adjust-

ment. Dealers that comply with the election requirements will receive audit protection, with respect to the method of determining the cost of parts, for any tax year prior to the year of change.

In addition to normal recordkeeping requirements supporting all aspects of its inventory valuation, dealers electing the Replacement Cost Method must maintain copies of the price lists used in the applying the method.

Conclusion

The Replacement Cost Method provided in Revenue Procedure 2002-17 provides clear guidance for franchised automobile dealers and resolves a long standing issue in the industry without imposing significant additional burden on the dealerships.

Finally, although the safe harbor method in the revenue procedure is available only to qualifying automobile dealerships, the Service is willing to consider safe harbor requests from other industries with similar facts.

For further information on the Replacement Cost method, refer to Rev. Proc. 2002-17 or contact the Motor Vehicle Technical Advisor Program at 616-235-1655 or by e-mail at Terri.S.Harris@irs.gov.



IRS LIFO about-face

Replacement cost method given green light for valuing parts inventories

Expert witness gives guidance on how to use the newly permissible method correctly

Willard De Filippis doesn't own or even work in a dealership, but the Internal Revenue Service's Revenue Procedure 2002-17 issued in March was a sweet victory for him just the same. That's because the ruling, which finally permits dealers to use replacement costs for parts inventory, is what Mr. De Filippis, a CPA, told the IRS they should be doing 10 years ago.

"The Service has collectively come to their senses...It's like they suddenly came to this conclusion after we've been shouting it in their ears for years and years," says Mr. De Filippis, a consultant to auto dealer CPAs and a seminar leader. He also publishes the *LIFO Lookout* and the *Dealer Tax Watch*.

Back in March 1999, as you're likely to recall, the U.S. Tax Court in *Mountain State Ford Truck Sales, Inc. vs. Commissioner* declared for several reasons that dealers could not use replacement costs for parts inventories on LIFO. The infamous *Mountain State Ford* case

had strong implications for all dealers, whether or not they used LIFO for parts, "because the use of replacement cost to value parts inventories had always been accepted industry practice," Mr. De Filippis, an expert witness for the case, said following the ruling.

The IRS's win, however, echoed the proverb "be careful of what you wish for; you may get it," says Mr. De Filippis. "Pursuing and implementing (the decision) would create more problems than they ever bargained for," he says, since virtually every dealer was using replacement costs. The National Automobile Dealers Association asked Mr. De Filippis how to make it workable but he didn't see a way. "It would be like me telling you and 100 people in a room to defy gravity—jump up and don't come down," he says.

Now that replacement costs are acceptable, the important thing is to make sure you're handling them correctly. Mr. De Filippis recommends that dealerships:

- Take physical inventory at the end of the year or close to the end of the year and reconcile that to your actual year-end figures. Reconcile the inventory to the general ledger and make the appropriate adjustments.
- Use price tapes in effect at that particular date and keep them. You may want to save them electronically. Inventory records are permanent corporate records. The IRS should be able to go to your tapes, access them, and recreate your same results

Mr. De Filippis, based in Mt. Prospect, Ill., is conducting a seminar June 20-21 in Schaumburg, Ill., which will cover dealer tax issues and LIFO planning strategies. Topics include the Replacement Cost Revenue Procedure, Accounting Method Changes, Demo Guidance, Used Vehicle LIFO, the Olds Dealers Transition Allowance, and other current cases. The seminar is qualified for continuing education credits. Participants may register for one or both days. Go to www.defilippis.com or call 847-577-3977. ♦

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COMPARISON OF *SUPERLIFO* & IRS NEW ITEM DETERMINATIONS FOR NEW VEHICLES IN YEAR-END 2001 INVENTORIES

We are pleased to present our *SUPERLIFO* 2002 New Item List in a Report comparing our *unofficial* determinations of new items with those recently made available by the office of the IRS Motor Vehicle Technical Advisor in Grand Rapids, Michigan.

The IRS lists, distributed with a cover letter dated April 25, 2002, contain a limited disclaimer that "This list is not intended for pooling purposes." You should be aware that the interpretations reflected in the IRS *unofficial* lists of new items were not made by the same IRS (National) Office individuals who updated Revenue Procedure 97-36 from its predecessor Rev. Proc. 92-79.

HOW TO INTERPRET OUR *SUPERLIFO* - IRS COMPARATIVE REPORT

Our Comparative New Item Report covers 13 pages. New automobiles are on pages 1 through 6; new light-duty trucks (including sport utility vehicles, minivans and off-roads) are on pages 7 through 13. The Report shows complete make, model, body style, model code and item category information.

The left-hand side of each Report page shows our *SUPERLIFO* New Item List.

The right-hand side of the Report (including the "Yes" column) shows the IRS' Motor Vehicle Industry Specialist's new item listing. This IRS list was also distributed to industry organizations, state and national auto dealer associations, manufacturers and other interested parties.

To make it easier to identify the differences in our respective new items listings, where a *new* item on our List also appears on the IRS' list, that detailed item category has not been listed again on the right-hand side.

The "Yes/No" columns should be read as follows: If an "X" appears in the "Yes" column, that item category has been determined by the Internal Revenue Service to be a *new* item category. Thus, every item category listed on the left-hand side of the page with a corresponding "X" in the "Yes" column indicates an item category where we are in agreement with the IRS.

Where there are blank spaces on the left-hand side of the page, but item category entries on the corresponding right-hand side of the page, you can clearly see those item categories (with model num-

bers) which the IRS concluded were new items, but which we concluded were not.

If an "X" appears in the "No" column, that item category is listed on the left-hand (i.e., *SUPERLIFO*) side, and that "X" indicates an item category that we treated as *new*, but which the IRS did not.

We carefully reviewed our new item determinations and compared them with the IRS lists. The IRS also used a calendar year cut-off, rather than a model year cut-off, in compiling its list. This eliminated many items that otherwise might have been differences resulting from overlapping time periods. But in some instances, varying introduction dates created differences in our respective determinations.

In summary: Everything listed on the left-hand (our) side with an "X" in the "Yes" column is an item category where we agree with the IRS that it is a *new* item. Everything with an "X" in the "Yes" column is on the IRS' new item list. Everything listed on the right-hand (IRS) side of the page is an item category that the IRS considers to be *new*...and we do not. Finally, everything with an "X" in the "No" column is something that we conclude should be a *new* item category, but the IRS does not.

With respect to the December 31, 2001 year-end vehicles, we identified 452 new item categories (216 autos and 236 light-duty trucks) whereas the IRS identified 498 (219 autos and 279 light-duty trucks). We both reached the same conclusion on 378 new items.

We identified 74 item categories as *new*, but the IRS determined them to be *continuing*. The IRS identified 120 items as *new*, but we concluded they should be treated as *continuing* items.

A table summarizing the details of these differences in treatment appears on page 21.

In some instances, we understand why we disagree with the IRS; in other situations, we're not quite sure why we don't agree—other than possibly because of conflicting information or timing differences in our respective resources. The legend on the cover page of the Report explains the abbreviations in the "comment code" column.

In the *Comments* column, the terms "Admin Code Change" refers to the IRS specific designation in its listings which reads "Administrative Model Code

see **COMPARISON OF *SUPERLIFO* & IRS NEW ITEM DETERMINATIONS**, page 20



Change" explaining why the IRS treated that item as a continuing item rather than as a new item. In these instances (i.e., where "Admin Code Change" appears), there exists a real difference in interpretation between *SuperLIFO* and the IRS.

Where our *SuperLIFO* analysis has treated an item as continuing even though there was a change in the model code, we have referred to it in the *Comments* column as either (1) a "digit change" listing which digit changed and for what model year or (2) as a "model code change."

We have reconsidered our earlier analysis of the 2-door Toyota *Camry Solara* convertible (3 item categories) and coupe (5 item categories) which we had reported in March '02 as a new item. We are now treating these 8 item categories as continuing items.

The IRS list includes almost three dozen item categories as new items ... involving vehicles which we did not analyze. These include special Ford *Crown Victoria* commercial fleet, police interceptor, *Taurus* fleet, Lincoln *Towncar* livery and limo, Mercury *Sable* fleet and Ford *Ranger* fleet vehicles.

Because of the format limitations involved in this side-by-side presentation, some of the new item vs. continuing item differences described as "due to timing" are not purely due to timing differences. Because we (i.e., *SuperLIFO*) received the information sooner or more directly, some item categories were treated as new on an earlier compilation of new items ... and the IRS has just now gotten around to treating them as new items on its "later" compilation. In some other instances, there are some "new" items where the IRS received some information on the vehicles earlier than we did, so the reverse is true.

Accordingly, we (i.e., *SuperLIFO* and the IRS) both agreed on the new item status of the vehicle, the Service simply did so on an earlier compilation of new items than ours. As pointed out in the note at the bottom of the schedule on page 21, these "timing" differences would not exist if the comparison of new items was made on one overall 2-year schedule, instead of on two separate 1-year schedules.

There are other instances involving models/vehicles that did not exist in the prior year where (1) we received information that the IRS did not, (2) we determined the item to be a new item, (3) the IRS did not even list that item (because the IRS did not have any information on it) and (4) that item appears in the "No" column and is "x'd" in the "No" column. The reason that these are not considered as timing differences between our respective lists is that the IRS had no information to evaluate. Therefore, that item will

not result in a timing difference until, at some later date, the IRS receives information on the vehicle and then makes its determination as to the status of that vehicle.

However, this type of situation is one that goes both ways: There were also some instances where the IRS simply had better information than we had.

Needless to say, every year the process of comparing our new items lists with those of the IRS becomes more complicated.

DEFINITION OF A "NEW" ITEM

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

- 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.

NEW ITEM: WHAT DIFFERENCE DOES IT MAKE?

New item categories are required to be included at a 1.000 factor in the annual computation of the index of inflation or deflation. This is accomplished by using the same dollar amount for the end-of-the-year base cost as for the beginning-of-the-year base cost. Since any number divided by itself equals 1.000, this new item treatment will contribute no inflation (or deflation) *for that item* to the annual index.

However, if there is overall inflation for the year, the inclusion of the same dollar amount for that new item in both the numerator and the denominator of the fraction will *reduce* the overall weighted index result (i.e., it will depress the index computed).

The opposite result occurs in an overall deflationary year. New item treatment (at 1.000) will *increase* the overall weighted index result if there would otherwise be overall deflation for the year.

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COMPARISON OF "UNOFFICIAL" NEW ITEM CATEGORY LISTS

SUPERLIFO™ AND IRS / MOTOR VEHICLE TECHNICAL ADVISOR PROGRAM

NEW AUTOMOBILES AND LIGHT-DUTY TRUCKS

FOR CALENDAR YEAR DEALERS - DECEMBER 31, 2001

	LEFT-HAND COLUMN		SUPERLIFO & IRS BOTH AGREE		RIGHT-HAND COLUMN	
	SUPERLIFO SAID NEW (A)	IRS SAID NEW (B)	(A - C)	(B - D)	SUPERLIFO SAID NEW, IRS SAID CONTINUING (C)	IRS SAID NEW, SUPERLIFO SAID CONTINUING (D)
AUTOS						
Page 1	29	35	27	27	2	8
Page 2	41	37	33	33	8	4
Page 3	31	43	29	29	2	14
Page 4	37	39	32	32	5	7
Page 5	36	34	30	30	6	4
Page 6	42	31	27	27	15	4
TOTAL AUTOS	216	219	178	178	38	41
TRUCKS						
Page 7	28	41	24	24	4	17
Page 8	46	49	43	43	3	6
Page 9	38	48	32	32	6	16
Page 10	41	42	31	31	10	11
Page 11	35	28	25	25	10	3
Page 12	38	38	35	35	3	3
Page 13	10	33	10	10	0	23
TOTAL TRUCKS	236	279	200	200	36	79
TOTAL AUTOS & TRUCKS	452	498	378	378	74	120

Out of the differences in Columns C & D, 20 cars and 53 truck differences were not "interpretive" differences. Rather, these 73 differences were solely due to timing in the sense that S/L and the IRS obtained the vehicle data in different time periods and therefore the vehicles did (or did not) appear on one list, but not on the other. In other words, these 73 "timing" differences would not exist if the comparison of lists were made over a 2 year period.

TIMING DIFFERENCES

IRS RECEIVED INFO EARLIER OR LATER

CARS - EARLIER 4
CARS - LATER 16

TRUCKS - EARLIER 5
TRUCKS - LATER 48

SUPERLIFO RECEIVED INFO EARLIER OR LATER

CARS - EARLIER 16
CARS - LATER 4

TRUCKS - EARLIER 48
TRUCKS - LATER 5





SUPERLIFO™ 2002 NEW ITEMS VS. IRS 2002 LISTS

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COMPARISON OF "UNOFFICIAL" NEW ITEM CATEGORY LISTS SUPERLIFO™ AND IRS MOTOR VEHICLE TECHNICAL ADVISOR PROGRAM

NEW AUTOMOBILES AND LIGHT-DUTY TRUCKS INVOLVING MANUFACTURER MODEL YEARS 2001-2002

**SUPERLIFO™ - NEW ITEMS LIST
FOR CALENDAR YEAR 2001 DEALERS**

**& IRS MOTOR VEHICLE TECHNICAL ADVISOR PROGRAM
(DECEMBER, 2001 CALENDAR YEAR)**

LEGEND / COMMENT CODE

E =	DIFFERENCE IN ENGINE / MOST DETAILED DESCRIPTION
OP =	OPTION PACKAGES / MOST DETAILED DESCRIPTION
REGION =	DIFFERENT PRODUCT REQUIREMENTS OR OPTION PACKAGES WHICH VARY DEPENDING ON REGIONAL CONSIDERATIONS
TIMING =	TIMING DIFFERENCE: IRS RECEIVED INFO EARLIER OR LATER
DIFSC =	DIFFERENT INFORMATION SOURCES AVAILABLE TO IRS AND / OR TO SUPERLIFO™

NUMBER OF NEW ITEMS

	<u>SUPERLIFO™ CATEGORY</u>	<u>IRS CATEGORY</u>
AUTOMOBILES	216	219
LIGHT-DUTY TRUCKS	236	279
TOTAL NEW ITEM CATEGORIES	452	498

**COMPARISON OF "UNOFFICIAL" NEW ITEM CATEGORY LISTS
SUPERLIFO™ AND IRS MOTOR VEHICLE TECHNICAL ADVISOR PROGRAM**

**NEW AUTOMOBILES AND LIGHT-DUTY TRUCKS
FOR CALENDAR YEAR DEALERS - DECEMBER 31, 2001**

SUPERLIFO™ - NEW ITEMS LIST FOR CALENDAR YEAR 2001 DEALERS				IRS MOTOR VEHICLE INDUSTRY (DECEMBER, 2001 CALENDAR YEAR)		PAGE 1 OF 13			
MAKE	MODEL	BODY STYLE	MODEL CODE	YES	NO	BODY STYLE	COMMENT CODE	COMMENTS	
		NEW AUTOMOBILES				NEW AUTOMOBILES			
ACURA	RSX	3-DR SPORT COUPE 5-SP W/CLOTH	DC538	X					
		3-DR SPORT COUPE 5-SP W/LEATHER	DC538 L	X					
		3-DR SPORT COUPE AUTO W/CLOTH	DC548	X					
		3-DR SPORT COUPE AUTO W/LEATHER	DC548 L	X					
		3-DR SPORT COUPE S 6-SP	DC530	X					
	TL	4-DR SEDAN S	UA568	X					
		4-DR SEDAN S W/NAV SYS	UA569	X					
AUDI	A4	4-DR SEDAN 1.8T 5-SP	8E2524	X					
		4-DR SEDAN 1.8T AUTO	8E252H	X					
		4-DR SEDAN 1.8T AWD 5-SP	8E2525	X					
		4-DR SEDAN 1.8T AWD AUTO	8E252Z	X					
		4-DR SEDAN 3.0 AUTO	8E25FH	X					
		4-DR SEDAN 3.0 QUATTRO AWD 6-SP	8E25F9	X					
		4-DR SEDAN 3.0 QUATTRO AWD AUTO	8E25FZ	X					
		4-DR WGN 1.8 QUATTRO TURBO AWD 5-SP	8E5525	X					
		4-DR WGN AVANT 1.8 QUATTRO TURBO AWD AUTO	8E552Z	X					
		4-DR WGN AVANT 3.0 QUATTRO AWD 6-SP	8E55F9	X					
		4-DR WGN AVANT QUATTRO AWD AUTO	8E55FZ	X					
	A6	4-DR SEDAN 3.0	4B252H	X					
		4-DR SEDAN 3.0 QUATTRO AWD	4B252Z	X					
		4-DR SEDAN 3.0 AVANT QUATTRO	4B552Z	X					
	ALLROAD S4		4B2579	X			4-DR SEDAN 2.7 QUATTRO AWD 6-SP	DIFSC	4TH DIGIT CHANGE 2001
			4BH57Z	X			4-DR WGN 2.7 QUATTRO AWD AUTO	DIFSC	
			8D5572	X			4-DR WGN 2.7 AVANT QUATTRO TURBO AUTO	DIFSC	
			8D2579	X			4-DR SEDAN 2.7 V6 QUATTRO AWD 6-SP	DIFSC	
			8D5579	X			4-DR WGN 2.7 V6 AVANT QUATTRO AWD 6-SP	DIFSC	
			4B654Z	X					
			4D22F2	X			4-DR SEDAN 4.2 V8 QUATTRO AWD	TIMING	
	S6 TT		8N355N	X			2-DR COUPE 1.8 QUATTRO AWD	DIFSC	2001 INTRO 12/1/00 4TH DIGIT CHANGE 2002
BMW	3 SERIES	325i 4-DR SEDAN 2.5 SO. AFRICA	45		X				
		325Xi 4-DR SEDAN AWD 2.5	47	X					
		325XiT 4-DR SPORT WAGON AWD 2.5	36	X					
		330Xi 4-DR SEDAN AWD 3.0	43	X					
	M SERIES	M3 2-DR CONVERTIBLE 3.2	32	X					
		M3 2-DR COUPE 3.2	37	X					
CADILLAC	DE VILLE SEVILLE		6KD69	X		4-DR SEDAN V8 W/LIVERY PKG	OP		
		4-DR SEDAN SLS W/T1S	6KS69 T1S		X		OP		





SUPERLIFO™ - NEW ITEMS LIST FOR CALENDAR YEAR 2001 DEALERS				IRS MOTOR VEHICLE INDUSTRY (DECEMBER, 2001 CALENDAR YEAR)		PAGE 2 OF 13	
MAKE	MODEL	BODY STYLE	MODEL CODE	YES	NO	COMMENT CODE	COMMENTS
CHEVROLET	CAVALIER	2-DR COUPE LS	1JS37	X			
		2-DR COUPE LS SPORT	1JH37	X			
		4-DR SEDAN LS SPORT	1JH69	X			
		4-DR SEDAN Z24	1JH69	X			
CHRYSLER	300M CONCORDE SEBRING	4-DR SEDAN SPECIAL	LHYX41		X	DIFSC	
		4-DR SEDAN LTD	LHCP41 LTD	X			
		2-DR CONVERTIBLE GTC	JRCX27		X	TIMING	2002 INTRO 12/20/01
		4-DR SEDAN LX PLUS	JRCH41 PLUS	X			
DODGE	NEON	4-DR SEDAN ACR	PLDS41	X			
		4-DR SEDAN ES	PLDP41	X			
		4-DR SEDAN R/T	PLDX41	X			
		4-DR SEDAN SE	PLDH41 SE	X			
		4-DR SEDAN SXT	PLDP41 SXT		X	TIMING	2002 INTRO 12/20/01
	STRATUS	4-DR SEDAN SE AUTO	JRDM41	X			
			JRDH41	X		DIFSC	2ND DIGIT CHANGED 2001
FORD	CR VICTORIA ESCORT FOCUS	4-DR SEDAN LX SPORT	P74 LXSP	X			
		4-DR SEDAN PREMIUM 110A	P13 PREM	X			
			P39	X			
	FOCUS	3-DR HATCHBACK ZX3 PREM 110A	P31 PREM	X			
		3-DR HATCHBACK ZX3 PREM PWR 120A	P31 PREMPWR	X			
		4-DR SEDAN PREM LX 210A	P33 PREMLX	X			
		4-DR SEDAN SE COMFORT W/SP1 310A	P34 COMF	X			
		4-DR WAGON SE COMFORT 410A	P36 COMF	X			
		4-DR WAGON ZTW 420A	P36 ZTW	X			
	MUSTANG TAURUS	5-DR HATCHBACK ZX5 600A	P37	X			
			P42/135A	X			
			P55 305A	X			
		4-DR SEDAN SEL PREM 120A	P56 PREM	X			
		4-DR SEDAN SES DLX 310A	P55 DLX	X			
	THUNDERBIRD	4-DR WAGON SE DLX 505A/506A	P58 DLX	X			
		4-DR WAGON SE PREM 507A	P58 PREM	X			
		4-DR WAGON SEL DLX 510A	P59	X			
		2-DR CONVERTIBLE DELUXE	P60 DLX		X	DIFSC	
		2-DR CONVERTIBLE DELUXE W/RT	P60 DLXRT		X	DIFSC	
		2-DR CONVERTIBLE NEIMAN MARCUS ED	P64		X	DIFSC	
	ZX2	2-DR CONVERTIBLE PREMIUM	P60 PREM		X	DIFSC	
		2DR CONVERTIBLE PREMIUM R/T	P60 PREMRT		X	DIFSC	
		2-DR COUPE DELUXE 110A	P11 DLX	X			
		2-DR COUPE PREMIUM 120A	P11 PREM	X			
HONDA	ACCORD	2-DR COUPE SE AUTO	CG320	X			
		2-DR COUPE SE AUTO W/SRS	CG321	X			
		2-DR COUPE ULEV SE AUTO	CG322	X			
		2-DR COUPE ULEV SE AUTO W/SRS	CG232	X			
		4-DR SEDAN SE AUTO	CG567	X			
		4-DR SEDAN SE AUTO W/SRS	CG567 SRS	X			



SUPERLIFO™ - NEW ITEMS LIST FOR CALENDAR YEAR 2001 DEALERS				IRS MOTOR VEHICLE INDUSTRY (DECEMBER, 2001 CALENDAR YEAR)			PAGE 3 OF 13	
MAKE	MODEL	BODY STYLE	MODEL CODE	YES	NO	BODY STYLE	COMMENT CODE	COMMENTS
HONDA	ACCORD	4-DR SEDAN ULEV SE AUTO	CG668 SE	X				
		4-DR SEDAN ULEV SE AUTO W/SRS	CG668 SRS	X				
	CIVIC			X		4-DR SEDAN GX AUTO W/SRS	DIFSC	2001 MODEL
	INSIGHT	3-DR HATCHBACK AUTO W/AC	ZE147	X				
HYUNDAI	ELANTRA		42553	X		5-DR HATCHBACK GT 5-SP	TIMING	2001 INTRO 8/28/00
			42552	X		5-DR HATCHBACK GT AUTO	TIMING	2001 INTRO 8/28/00
	SONATA	4-DR SEDAN 5-SP	24403		X		DIFSC	
		4-DR SEDAN AUTO	24402		X		DIFSC	
		4-DR SEDAN GLS V6 5-SP	24453	X				
		4-DR SEDAN GLS V6 AUTO	24452	X				
		4-DR SEDAN LX V6 5-SP	24463	X				
		4-DR SEDAN LX V6 AUTO	24462	X				
		4-DR SEDAN V6 5-SP	24413	X				
		4-DR SEDAN V6 AUTO	24412	X				
	XG350		70442	X		4-DR SEDAN V6 AUTO	DIFSC	
			70452	X		4-DR SEDAN V6 L AUTO	DIFSC	
INFINITI	I35	4-DR LUXURY SEDAN AUTO	9501	X				
	Q45	4-DR SEDAN	9431	X				
JAGUAR	S-TYPE	4-DR SEDAN SPORT 3.0 V6 AUTO	S 3.0SPORT	X				
		4-DR SEDAN SPORT 4.0 V8 AUTO	S 4.0SPORT	X				
	X-TYPE	4-DR SEDAN AWD 2.5 V6	X 2.5	X				
		4-DR SEDAN AWD 3.0 V6	X 3.0	X				
		4-DR SEDAN SPORT AWD 2.5 V6	X 2.5SPORT	X				
		4-DR SEDAN SPORT AWD 3.0 SPORT	X 3.0SPORT	X				
	XJ SERIES	XJ 4-DR SEDAN SPORT	XJ SPORT	X				
		XJ 4-DR SEDAN SUPERCHARGED	XJ SUPER	X				
	XJR100			X		4-DR SEDAN V8 SUPERCHARGED (LTD AVAIL)	DIFSC	
	XKR100			X		2-DR COUPE V8 SUPERCHARGED	DIFSC	
				X		2-DR CONVERTIBLE V8 SUPERCHARGED	DIFSC	
KIA	OPTIMA		51221	X		4-DR SEDAN LX 2.4 5-SP	TIMING	2001 INTRO 11/22/00
			51222	X		4-DR SEDAN LX 2.4 AUTO	TIMING	2001 INTRO 11/22/00
			52222	X		4-DR SEDAN LX V6 AUTO	TIMING	2001 INTRO 11/22/00
			51241	X		4-DR SEDAN SE 2.4 5-SP	TIMING	2001 INTRO 11/22/00
			51242	X		4-DR SEDAN SE 2.4 AUTO	TIMING	2001 INTRO 11/22/00
			52242	X		4-DR SEDAN SE V6 AUTO	TIMING	2001 INTRO 11/22/00
	RIO	5-DR WAGON CINCO 5-SP	31501	X				
		5-DR WAGON CINCO AUTO	31502	X				
	SPECTRA	4-DR SEDAN 5-SP	24401	X				
		4-DR SEDAN AUTO	24402	X				
		4-DR SEDAN LS 5-SP	24441	X				
		4-DR SEDAN LS AUTO	24442	X				
LEXUS	ES300	4-DR LUXURY SPORT SEDAN AUTO	9000	X				
	IS300	4-DR LUXURY SPORT CROSS AUTO	9520	X				
		4-DR LUXURY SPORT SEDAN 5-SP	9501	X				
	SC430	2-DR LUXURY SPORT COUPE AUTO	9270	X				



SUPERLIFO™ - NEW ITEMS LIST FOR CALENDAR YEAR 2000 DEALERS				IRS MOTOR VEHICLE INDUSTRY (DECEMBER, 2000 CALENDAR YEAR)		PAGE 4 OF 13	
MAKE	MODEL	BODY STYLE	MODEL CODE	YES	NO	COMMENT CODE	COMMENTS
LINCOLN	CONTINENTAL	4-DR SEDAN DRIVER SELECT	M97 DRS	X			
		4-DR SEDAN LUXURY APPEARANCE	M97 LA	X			
		4-DR SEDAN PERSONAL SECURITY	M97 PS	X			
	LS	4-DR SEDAN PREMIUM 120A	M86 PREM	X			
		4-DR SEDAN V6 CONVENIENCE AUTO 110A	M86 CON	X			
		4-DR SEDAN V8 SPORT 5-SP 145A	M86 5SP		X	DIFSC	ADMIN CODE CHANGE
		4-DR SEDAN V6 SPORT AUTO 135A	M86 SP	X			
		4-DR SEDAN V8 PREM AUTO 210A	M87 PREM	X			
		4-DR SEDAN V8 SPORT AUTO 220A	M87 SP	X			
			M86/146A	X			
			M86/136A	X		4-DR SEDAN LSE 5-SP	2002 INTRO 2/1/02
	TOWN CAR	4-DR SEDAN SIG TOUR PREM 240A	M82 TSP	X		4-DR SEDAN LSE AUTO	2002 INTRO 2/1/02
		4-DR SEDAN CARTIER PREM 320A	M83 PREM	X			
		4-DR SEDAN SIGNATURE PREMIUM 200A	M82 PREM		X	DIFSC	ADMIN CODE CHANGE
		4-DR SEDAN SIGNATURE TOURING 230A	M82 TS	X			
			M82/220A	X		4-DR SEDAN SIG PREM 220A (EX IN NE REGION)	REGION
			M82/250A	X		4-DR SEDAN SIG PREM 250A (IN NE REGION)	REGION
			M82/260A	X		4-DR SEDAN SIG TOURING 260A (IN NE REGION)	REGION
			M83/330A	X		4-DR SEDAN CARTIER PREM 330A (IN NE REGION)	REGION
MAZDA	MILLENNIA	4-DR SEDAN PS SPEC ED AUTO	MIL P	X		4-DR SEDAN P	2001 INTRO 8/23/00
		4-DR SEDAN SS SPEC ED AUTO	MIL PS		X		
			MIL SS		X		
	PROTÉGÉ	4-DR SEDAN LX	PRO LX	X			
		4-DR SEDAN MP3	PROMP3	X			
	PROTÉGÉ 5	5-DR HATCHBACK	PRO5	X			
MERCEDES BENZ	C CLASS	C230 2-DR SPORT COUPE	230K	X			
		C32 4-DR SEDAN AUTO	C32 AMG	X			
		C320 4-DR WAGON AUTO	C320 S	X			
	CLK CLASS	CLK55 AMG 2-DR CABRIOLET AUTO	CLK55 AAMG	X			
	SLK CLASS	SLK32 2-DR COUPE/ROADSTER AUTO	SLK32	X			
MERCURY	COUGAR	3-DR COUPE V6 SPORT	T61SP	X			
		3-DR COUPE V6 SPORT PREMIUM	T61 PREM	X			
		3-DR COUPE V6 SPORT ULTIMATE	T61 ULT	X			
	GRAND MARQUIS	4-DR SEDAN GS CONV 110A	M74 CONV	X			
		4-DR SEDAN GS CONV W/REG PKG 110A	M74 CONVR	X			
		4-DR SEDAN LS PREMIUM 200A	M75		X		
		4-DR SEDAN LS ULT W/REG PKG 230A	M75 ULTR	X		DIFSC	ADMIN CODE CHANGE
		4-DR SEDAN LS ULTIMATE 230A	M75 ULT	X			
		4-DR SEDAN LSE 220A	M75 LSE	X			
		4-DR SEDAN LSE W/REG PKG 220A	M75 LSER	X			
		4-DR SEDAN GS PLUS	M50 GS+	X			
	SABLE	4-DR WAGON GS PLUS	M58 GS+	X			
MTSUBISHI	GALANT	4-DR SEDAN LS AUTO	GA41-M AUTO	X			
	LANCER	4-DR SEDAN ES 5-SP	LN41-B 5-SP	X			



SUPERLIFO™ - NEW ITEMS LIST FOR CALENDAR YEAR 2001 DEALERS					IRS MOTOR VEHICLE INDUSTRY (DECEMBER, 2001 CALENDAR YEAR)		PAGE 5 OF 13	
MAKE	MODEL	BODY STYLE	MODEL CODE	YES NO	BODY STYLE	COMMENT CODE	COMMENTS	
MITSUBISHI	LANCER	4-DR SEDAN ES AUTO	LN41-B AUTO	X				
		4-DR SEDAN OZ RALLY 5-SP	LN41-R 5-SP	X				
		4-DR SEDAN OZ RALLY AUTO	LN41-R AUTO	X				
NISSAN	ALTIMA	4-DR SEDAN 2.5 5-SP	0565	X			3RD DIGIT CODE CHANGE	
		4-DR SEDAN 2.5 AUTO	0561	X				
		4-DR SEDAN 2.5 S 5-SP	0575	X				
		4-DR SEDAN 2.5 S AUTO	0571	X				
		4-DR SEDAN 2.5 SL 5-SP	0585	X				
		4-DR SEDAN 2.5 SL AUTO	0581	X				
		4-DR SEDAN 3.5 SE 5-SP	0595	X				
		4-DR SEDAN 3.5 SE AUTO	0591	X				
	MAXIMA SENTRA		8262	X	4-DR SEDAN SE 6-SP	DIFSC		
		4-DR SEDAN SE-R 5-SP	4245	X				
		4-DR SEDAN SE-R AUTO	4241	X				
		4-DR SEDAN SE-R SPEC V	4256	X				
OLDSMOBILE	ALERO		3NL37	X	2-DR COUPE GL W/GL2 PKG	OP		
			3NL69	X	4-DR SEDAN W/GL2 PKG	OP		
PORSCHE	911 CARRERA	GT2 2-DR COUPE 6-SP	996840 2002	X			DIFSC DIFSC DIFSC DIFSC	
		CARR 2-DR TARGA	996210	X				
		CARR 2-DR TARGA TIP	993210 TIP	X				
		CARR 4S 2-DR COUPE	996430	X				
		CARR 4S 2-DR COUPE TIP	996430 TIP	X				
ROLLS ROYCE	ROLLS ROYCE	SILVER SERAPH LAST OF LINE	ROLLS RRSSL	X		DIFSC		
SAAB	9.3 SERIES 9.5 SERIES	5-DR HATCHBACK SE 2.0	355	X		DIFSC		
		4-DR SEDAN ARC V6 3.0	574	X				
		4-DR SEDAN LINEAR 2.3	524	X				
		5-DR WAGON LINEAR 2.3	525	X				
		5-DR WAGON ARC V6 3.0	575	X				
SATURN	LW200		ZJT35	X	4-DR WAGON 5-SP	TIMING	2001 INTRO 8/3/00	
SUBARU	IMPREZA	4-DR SEDAN RS 2.5 AWD 5-SP	JA	X				
		4-DR SEDAN RS 2.5 AWD AUTO	JB	X				
		4-DR SEDAN WRX AWD 5-SP	JC	X				
		4-DR SEDAN WRX AWD AUTO	JD	X				
		5-DR SPORT WGN 2.5 TS AWD 5-SP	LA	X				
		5-DR SPORT WGN 2.5 TS AWD AUTO	LB	X				
		5-DR SPORT WGN OUTBACK AWD 5-SP	LE	X				
		5-DR SPORT WGN OUTBACK AWD AUTO	LF	X				
		5-DR SPORT WGN WRX 5-SP	LC	X				
		5-DR SPORT WGN WRX AWD AUTO	LD	X				
	LEGACY	4-DR SEDAN OUTBACK H6 3.0 AWD	AJ	X				



SUPERLIFO™ - NEW ITEMS LIST FOR CALENDAR YEAR 2001 DEALERS				IRS MOTOR VEHICLE INDUSTRY (DECEMBER, 2001 CALENDAR YEAR)		PAGE 6 OF 13	
MAKE	MODEL	BODY STYLE	MODEL CODE	YES	NO	COMMENT CODE	COMMENTS
SUBARU	LEGACY	4-DR SEDAN OUTBACK VDC H6 3.0 AWD	AH	X			
		5-DR WGN OUTBACK VDC H6 3.0 AWD	BZ		X	DIFSC	ADMIN CODE CHANGE
TOYOTA	CAMRY	4-DR SEDAN 4CYL AUTO	2532		X		
		4-DR SEDAN LE 4CYL 5-SP	2531	X		DIFSC	
		4-DR SEDAN LE V6 AUTO	2534		X	DIFSC	
		4-DR SEDAN SE 4CYL 5-SP	2545	X			
		4-DR SEDAN SE 4CYL AUTO	2546	X			
		4-DR SEDAN SE V6 AUTO	2548	X			
		4-DR SEDAN XLE AUTO	2540		X	DIFSC	
		4-DR SEDAN XLE V6 AUTO	2544		X	DIFSC	
	MR2 SPYDER	2-DR CONVERTIBLE SMT	3235	X			
VOLKSWAGEN	GOLF	4-DR HATCHBACK GL 5-SP	9B1DH4	X			
		4-DR HATCHBACK GL AUTO	9B1DH3	X			
		4-DR HATCHBACK GL TDI 5-SP	9B1D14	X			
		4-DR HATCHBACK GL TDI AUTO	9B1D13	X			
	GTI	2-DR HATCHBACK 1.8 5-SP	9B17N4		X	DIFSC	ADMIN CODE CHANGE
		2-DR HATCHBACK 1.8 AUTO	9B17N8		X	DIFSC	ADMIN CODE CHANGE
		2-DR HATCHBACK VR6 2.8 5-SP	9B16U4		X	DIFSC	ADMIN CODE CHANGE
	JETTA	4-DR SEDAN GLX 2.8 V6 TIP AUTO	9M27W8		X	DIFSC	ADMIN CODE CHANGE
		4-DR WAGON GL 1.9 TDI 5-SP	1J6414	X			
		4-DR WAGON GL 1.9 TDI AUTO	1J6413	X			
		4-DR WAGON GL 2.0 5-SP	1J64H4	X			
		4-DR WAGON GL 2.0 AUTO	1J64H3	X			
		4-DR WAGON GLS 1.8 5-SP	1J65P4	X			
		4-DR WAGON GLS 1.8 TIP	1J65P8	X			
		4-DR WAGON GLS 1.9 TDI 5-SP	1J6514	X			
		4-DR WAGON GLS 1.9 TDI AUTO	1J6513	X			
		4-DR WAGON GLS 2.0 5-SP	1J65H4	X			2001 MODEL
		4-DR WAGON GLS 2.0 AUTO	1J65H3	X			2001 MODEL
		4-DR WAGON GLS 2.8 5-SP	1J65U4	X			2001 MODEL
		4-DR WAGON GLS 2.8 AUTO	1J65U3	X			2001 MODEL
		4-DR WAGON GLX 2.8 5-SP	1J66U4	X			2001 MODEL
		4-DR WAGON GLX 2.8 AUTO	1J66U3	X			2001 MODEL
			9M25N8	X		DIFSC	
			1C17N6	X		TIMING	2002 INTRO 1/15/02
NEW BEETLE							
VOLVO	40 SERIES			X			
				X		TIMING	2001 INTRO 9/1/00
	60 SERIES			X		TIMING	2001 INTRO 9/1/00
				X			
	70 SERIES	S60 4-DR SEDAN 2.4T AUTO W/SR	S60 2.4TASR		X	DIFSC	
		S60 4-DR SEDAN 2.4T AUTO W/SR/AWD	S60 2.4TASRAW		X	DIFSC	
		S60 4-DR SEDAN T5 5-SP W/SR	S60 T5MSR		X	DIFSC	
		C70 2-DR COUPE HT 5-SP W/SR	C70 HTMSR		X	DIFSC	
		C70 2-DR COUPE HT AUTO W/SR	C70 HTASR		X	DIFSC	
		V70 5-DR WAGON AUTO W/AWD SR	V70 2.4TAAWDS	X			
	80 SERIES	V70 5-DR WAGON T5 5-SP W/SR	V70 T5MSR		X	DIFSC	
		V70 5-DR WAGON XC 2.4T AUTO	V70 XC2.TA		X	DIFSC	
		S80 4-DR SEDAN T6 EXEC AUTO W/SR	S80 T6EXECASH		X	DIFSC	

MAKE	MODEL	SUPERLIFO™ - NEW ITEMS LIST FOR CALENDAR YEAR 2001 DEALERS		IRS MOTOR VEHICLE INDUSTRY (DECEMBER, 2001 CALENDAR YEAR)		COMMENT CODE	PAGE 7 OF 13	
		BODY STYLE	MODEL CODE	YES	NO		COMMENTS	
		NEW LIGHT DUTY TRUCKS						
BMW	X5	4-DR SAV 4.8	66	X				
BUICK	RENDEZVOUS	4-DR AWD SPORT UTILITY CX	4BT26	X				
		4-DR FWD SPORT UTILITY CX	4BK26	X				
			4BT26/Z17	X		4-DR AWD SPORT UTILITY CXL Z17	DIFSC	
CADILLAC	ESCALADE		6C15706	X		4-DR 2WD SPORT UTILITY (AVAIL 1/01)	TIMING	2002 INTRO 11/3/00
			6K15706	X		4-DR AWD SPORT UTILITY (AVAIL 1/01)	TIMING	2002 INTRO 11/3/00
		4-DR AWD SPORT UTILITY EXT	6K15936	X				
CHEVROLET	AVALANCHE	4-DR 1500 2WD SPORT UTILITY	CC15936	X				
		4-DR 1500 4WD SPORT UTILITY	CK15936	X				
		4-DR 2500 2WD SPORT UTILITY	CC25936	X				
		4-DR 2500 4WD SPORT UTILITY	CK25936	X				
	BLAZER		CS10516	X		2WD SPORT UTILITY EXTREME	TIMING	2001 INTRO 7/14/00
	EXPRESS PASS	3-DR 1500 LT SWB	CG11405	X				2001 MODEL
	SILVERADO 1500	3-DR 2WD CREW CAB LS HD	CC15743 LS	X				
		3-DR 2WD CREW CAB LT HD	CC15743 LT	X				
		3-DR 4WD CREW CAB LS HD	CK15743 LS	X				
		3-DR 4WD CREW CAB LT HD	CK15743 LT	X				
	S10 PICKUP		CS10653	X		2WD 3-DR EXT CAB 6FT	DIFSC	2001 MODEL
			CS10653	X		2WD 3-DR EXT CAB LS 6FT	DIFSC	2001 MODEL
			CT10653	X		4WD 3-DR EXT CAB 6FT	DIFSC	2001 MODEL
			CT10653	X		4WD 3-DR EXT CAB LS 6FT	DIFSC	2001 MODEL
				X			TIMING	2002 INTRO 12/22/01
	TRAILBLAZER	4-DR 2WD SPORT UTILITY EXT LT	CS15806 LT	X				
		4-DR 2WD SPORT UTILITY LS	CS15506	X				
		4-DR 2WD SPORT UTILITY LT	CS15506 LT	X				
		4-DR 2WD SPORT UTILITY LTZ	CS15506 LTZ	X				
		4-DR 4WD SPORT UTILITY EXT LT	CT15806 LT	X				
		4-DR 4WD SPORT UTILITY LS	CT15506	X				
		4-DR 4WD SPORT UTILITY LT	CT15506 LT	X				
		4-DR 4WD SPORT UTILITY LTZ	CT15506 LTZ	X				
	VENTURE	4-DR PASS WARNER BROS LWB AWD	1UT16 WB	X				
			1UM16 LT	X		4-DR PASSENGER LT W/E59 LWB	TIMING	2001 INTRO 7/28/00
		4-DR PASSENGER LS LWB AWD	1UT16 LS	X			DIFSC	
		4-DR PASSENGER LT LWB AWD	1UT16	X				
		4-DR PASSENGER BASE 1SA	1UN16	X			DIFSC	
			1UM16 LS	X		4-DR AWD EXT LS	DIFSC	
				X				
				X				
CHRYSLER	PT CRUISER	4-DR SPORT WAGON LTD. ED	PTCS44	X				
		4-DR SPORT WAGON TOURING ED	PTCP44	X				
	TOWN & COUNTRY	5-DR WAGON EL	RSYM53	X				
			RSYX53	X		5-DR WAGON EX	TIMING	2001 INTRO 9/1/00
			RSYH53	X		5-DR WAGON LX	TIMING	2001 INTRO 9/1/00
			RSCH53	X		5-DR WAGON AWD LX	TIMING	2001 INTRO 9/1/00
			RSYP53	X		5-DR WAGON LXI	TIMING	2001 INTRO 9/1/00
			RSCP53	X		5-DR WAGON LXI AWD	TIMING	2001 INTRO 9/1/00
			RSYS53	X		5-DR WAGON LTD	TIMING	2001 INTRO 9/1/00
			RSCS53	X		5-DR WAGON LTD AWD	TIMING	2001 INTRO 9/1/00



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MAKE	MODEL	BODY STYLE	MODEL CODE	YES	NO	BODY STYLE	COMMENT CODE	COMMENTS
CHRYSLER	VOYAGER	4-DR WAGON EC	RSYE52	X				
			RSYL52	X		4-DR WAGON	TIMING	2001 INTRO 9/1/00
			RSYH52	X		4-DR WAGON LX	TIMING	2001 INTRO 9/1/00
DODGE	CARAVAN	CARAVAN EC	RSKE52	X				
		GRAND CARAVAN EL	RSKM53	X				
			RSKL53	X		GRAND CARAVAN SE	TIMING	2001 INTRO 9/1/00
			RSKX53	X		GRAND CARAVAN EX	TIMING	2001 INTRO 9/1/00
	DAKOTA	4X2 CLUB CAB SLT 131WB	AN1H31	X				
		4X2 CLUB CAB SPORT 131WB	AN1M31	X				
		4X2 QUAD CAB SLT	AN1H84	X				
		4X2 QUAD CAB SPORT 112WB	AN1M84		X			
		4X2 REG CAB SLT 112WB	AN1H81	X			DIFSC	ADMIN CODE CHANGE
		4X2 REG CAB SPORT	AN1M81	X				
		4X4 CLUB CAB SLT 131WB	AN5H31	X				
		4X4 CLUB CAB SPORT 131WB	AN5M31	X				
		4X4 QUAD CAB SLT	AN5H84	X				
		4X4 REG CAB SLT 112WB	AN5H81	X				
		4X4 REG CAB SPORT 112WB	AN5M81	X				
	DURANGO	4-DR 2WD SLT	DN1H74	X				
		4-DR 2WD SLT PLUS	DN1P74	X				
		4-DR 4WD R/T	DN5X74	X				
		4-DR 4WD SLT	DN5H74	X				
		4-DR 4WD SLT PLUS	DN5P74	X				
	RAM PICKUP	2WD 1500 QUAD CAB LWB	DR1L42	X				
		2WD 1500 QUAD CAB SWB	DR1L41	X				
		2WD 1500 REG CAB LWB	DR1L62	X				
		2WD 1500 REG CAB SWB	DR1L61	X				
		4WD 1500 QUAD CAB LWB	DR6L42	X				
		4WD 1500 QUAD CAB SWB	DR6L41	X				
		4WD 1500 REG CAB LWB 135WB	DR6L62	X				
		4WD 1500 REG CAB SWB 119WB	DR6L61	X				
FORD	ESCAPE	4-DR 4WD XLS CHOICE 220A	U02 CH	X				
		4-DR 4WD XLS SPORT 210A	U02 SP		X		DIFSC	ADMIN CODE CHANGE
		4-DR 4WD XLT CHOICE 400A	U04 CH	X				
		4-DR 4WD XLT PREMIUM 420A	U04 PREM	X				
		4-DR 4WD XLT SPORT 410A	U04 SP	X				
		4-DR FWD V6 XLS CHOICE 120A	U01 CH	X				
		4-DR FWD XLS SPORT 110A	U01 SP		X		DIFSC	ADMIN CODE CHANGE
		4-DR FWD XLT CHOICE 300A	U03 CH	X				
		4-DR FWD XLT CHOICE 310A	U03 CH2	X				
		4-DR FWD XLT PREMIUM 320A	U03 PREM	X				
			U01 100A	X		4-DR 2WD XLS VALUE	DIFSC	
			U02 200A	X		4-DR 4WD XLS VALUE	DIFSC	
	EXCURSION	4X2 WAGON LTD 5.4 ULT 330A	U42 330	X				
		4X2 WAGON LTD 6.8 310A	U42 310	X				
		4X2 WAGON LTD 6.8 ULT 340A	U42 340	X				
		4X2 WAGON LTD 7.3 320A	U42 320	X				
		4X2 WAGON LTD 7.3 ULT 350A	U42 350	X				
		4X2 WAGON XLT 5.4 PREM 130A	U40 130	X				
		4X2 WAGON XLT 5.4 SSV 900A	U40 900	X				
		4X2 WAGON XLT 6.8 110A	U40 110	X				
		4X2 WAGON XLT 6.8 910A	U40 910	X				



SUPERLIFT™ - NEW ITEMS LIST FOR CALENDAR YEAR 2001 DEALERS				IRS MOTOR VEHICLE INDUSTRY (DECEMBER, 2001 CALENDAR YEAR)				PAGE 9 OF 13	
MAKE	MODEL	BODY STYLE	MODEL CODE	YES	NO	BODY STYLE	COMMENT CODE	COMMENTS	
FORD	EXCURSION	4X2 WAGON XLT 6.8 PREM 140A	U40 140	X					
		4X2 WAGON XLT 7.3 120A	U40 120	X					
		4X2 WAGON XLT 7.3 PREM 150A	U40 150	X					
		4X2 WAGON XLT 8SV 7.3 920A	U40 920	X					
		4X4 WAGON LTD 6.8 ULT 420A	U43 420	X					
		4X4 WAGON LTD 7.3 410A	U43 410	X					
		4X4 WAGON LTD 7.3 ULT 430A	U43 430	X					
		4X4 WAGON XLT 5.4 PREM 240A	U41 240	X					
		4X4 WAGON XLT 5.4 950A	U41 950	X					
		4X4 WAGON XLT 6.8 200A	U41 200	X					
		4X4 WAGON XLT 6.8 PREM 220A	U41 220	X					
		4X4 WAGON XLT 6.8 SSV 930A	U41 930	X					
		4X4 WAGON XLT 7.3 210A	U41 210	X					
		4X4 WAGON XLT 7.3 PREM 230A	U41 230	X					
		4X4 WAGON XLT 7.3 SSV 940A	U41 940	X					
	EXPLORER SPORT	4X2 WAGON SPORT CHOICE 120A	U60 CH	X					
		4X2 WAGON SPORT PREMIUM 130A	U60 PREM	X					
		4X2 WAGON SPORT TRAC CHOICE 120A	U67 CH	X					
		4X2 WAGON SPORT TRAC PREMIUM 130A	U67 PREM	X					
		4X4 WAGON SPORT CHOICE 220A	U70 CH	X					
		4X4 WAGON SPORT PREMIUM 230A	U70 PREM	X					
		4X4 WAGON SPORT TRAC CHOICE 220A	U77 CH	X					
		4X4 WAGON SPORT TRAC PREMIUM 230A	U77 PREM	X					
	F150 PICKUP	4X2 SUPERCAB S/S KING RANCH SWB	X17 KR	X					
		4X4 SUPERCAB S/S KING RANCH SWB	X18 KR	X					
			F07	X		2WD REG CAB F/S SVT LIGHTNING SWB	DIFSC		
			W07 KR	X		2WD SUPERCREW CAB KING RANCH 139WB	TIMING	2001 INTRO 10/16/00	
	RANGER		W07 HD	X		2WD SUPERCREW CAB HARLEY D 139WB	TIMING	2001 INTRO 10/16/00	
			W08 KR	X		2WD SUPERCREW CAB KING RANCH 139WB	TIMING	2001 INTRO 10/16/00	
		2WD REG CAB XL 112WB 311A	R10 XL311		X		DIFSC	ADMIN CODE CHANGE	
		2WD REG CAB XL 118WB 305A	R10 XL305		X		DIFSC	ADMIN CODE CHANGE	
		2WD REG CAB XLT 112WB 335A	R10 XLT335		X		DIFSC	2001 MODEL	
		2WD REG CAB XLT 112WB 337A	R10 XLT337		X		DIFSC	2001 MODEL	
		2WD REG CAB XLT 112WB 338A	R10 XLT338		X		DIFSC	2001 MODEL	
		2WD SUPERCAB XL 126WB 355A	R14 XL355		X		DIFSC	2001 MODEL	
		2WD SUPERCAB XL 126WB 362A	R44 XL362		X		DIFSC	ADMIN CODE CHANGE	
		2WD SUPERCAB XLT 126WB 380A	R14 XLT380		X				
		4-DR 2WD SUPERCAB EDGE 126WB 373A	R44 E373		X				2001 MODEL
		4-DR 2WD SUPERCAB XLT 126WB 383A	R44 XLT383		X				
		4-DR 4WD SUPERCAB XLT 126WB 390A	R45 XLT390		X				
		4WD SUPERCAB XL 126WB 308A	R15 XL308		X				
		4WD SUPERCAB XLT 126WB 396A	R15 XLT396		X				
			R10 XL		X	2WD REG CAB S/S XL 112WB (EX Fleet)	DIFSC	2001 MODEL	
			R10 XLT		X	2WD REG CAB S/S XLT 112WB W/O APP GRP	DIFSC	2001 MODEL	
			R10 XLT		X	2WD REG CAB S/S XLT 112WB W/ APP GRP	DIFSC	2001 MODEL	
			R10 XLT		X	2WD REG CAB F/S XLT 112WB W/O APP GRP	DIFSC	2001 MODEL	
			R10 XLT		X	2WD REG CAB F/S XLT 112WB W/APP GRP	DIFSC	2001 MODEL	
			R10 EDGE+		X	2WD REG CAB F/S EDGE PLUS 112WB	DIFSC	2001 MODEL	
			R14 XL		X	2WD SUPERCAB XL	DIFSC	2001 MODEL	
			R14 353A		X	2WD SUPERCAB TREMOR 353A (LTD AVAIL)	TIMING	4TH QUARTER 2001	
			R44 354A		X	2WD SUPERCAB TREMOR 354A (LTD AVAIL)	TIMING	4TH QUARTER 2001	
			R45 376A		X	4-DR 4WD SUPERCAB EDGE 126WB 376A	DIFSC	MODEL CODE CHANGE	
			R45 391A		X	4-DR 4WD SUPERCAB XLT 126WB	DIFSC	MODEL CODE CHANGE	



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MAKE	MODEL	BODY STYLE	MODEL CODE	YES	NO	BODY STYLE	COMMENT CODE	COMMENTS
FORD	RANGER		R15 395A	X		4WD SUPERCAB XLT 395A	TIMING	4TH QUARTER 2001
			R45 389A	X		4WD SUPERCAB XLT OFF-ROAD 389A	TIMING	4TH QUARTER 2001
	WINDSTAR	4-DR WAGON LX DELUXE	A51 LXDLX	X				
GMC	ENVOY	4-DR 2WD SLE	TS15506	X				
		4-DR 2WD SLT	TS15506 SLT	X				
		4-DR 4WD SLE	TT15506	X				
		4-DR 4WD SLT	TT15506 SLT	X				
	SAVANA SIERRA 3500 CHASSIS CABS		TG11405	X		1500 PASSENGER VAN SLT	TIMING	2001 INTRO 7/14/00
		2WD 3500 EXT CAB CHASSIS LWB	TC36453		X		DIFSC	
		2WD 3500 EXT CAB CHASSIS SWB	TC36053		X		DIFSC	
		2WD 3500 REG CAB CHASSIS LWB	TC36403		X		DIFSC	
		2WD 3500 REG CAB CHASSIS SWB	TC36003		X		DIFSC	
		4WD 3500 EXT CAB CHASSIS LWB	TK36453		X		DIFSC	
		4WD 3500 EXT CAB CHASSIS SWB	TK36053		X		DIFSC	
		4WD 3500 REG CAB CHASSIS LWB	TK36403		X		DIFSC	
		4WD 3500 REG CAB CHASSIS SWB	TK36003		X		DIFSC	
	SIERRA H/D PICKUP	2WD 2500 CREW CAB LWB H/D	TC25943 HD	X				
		2WD 2500 CREW CAB SWB H/D	TC25743 HD	X				
		2WD 2500 EXT CAB LWB H/D	TC25953 HD	X				
		2WD 2500 REG CAB LWB H/D	TC25903 HD	X				
		2WD 4-DR 2500 EXT CAB SWB H/D	TC25753 HD	X				
		4WD 2500 CREW CAB LWB H/D	TK25943 HD	X				
		4WD 2500 CREW CAB SWB H/D	TK25743 HD	X				
		4WD 2500 EXT CAB LWB H/D	TK25953 HD	X				
		4WD 2500 EXT CAB SWB H/D	TK25753 HD	X				
		4WD 2500 REG CAB LWB H/D	TK25903 HD	X				
			TC15743 SLE	X		2WD 1500 CREW CAB SLE HD 153WB	TIMING	2001 INTRO 10/20/00
			TC15743 SLT	X		2WD 1500 CREW CAB SLT HD 153WB	TIMING	2001 INTRO 10/20/00
			TK15743 SLE	X		4WD 1500 CREW CAB SLE HD 153WB	TIMING	2001 INTRO 10/20/00
	SIERRA PU		TK15743 SLT	X		4WD 1500 CREW CAB SLT HD 153WB	TIMING	2001 INTRO 10/20/00
		2WD 1500 EXT CAB LWB	TC15953	X				
		2WD 1500 EXT CAB SWB	TC15753	X				
		2WD 1500 REG CAB HT SWB	TC15703 HT		X		DIFSC	ADMIN CODE CHANGE
		2WD 1500 REG CAB LWB	TC15903	X				
		2WD 1500 REG CAB SWB	TC15703 HT	X				
		2WD 2500 REG CAB LWB	TC25903	X				
		2WD 4-DR 3500 EXT CAB	TC35953	X				
		4WD 1500 EXT CAB LWB	TK15953	X				
		4WD 1500 EXT CAB SWB	TK15753	X				
		4WD 1500 REG CAB HT SWB	TK15703 HT	X				
		4WD 1500 REG CAB LWB	TK15903	X				
		4WD 1500 REG CAB SWB	TK15703	X				
		4WD 2500 EXT CAB SWB	TK25753	X				
		4WD 3500 REG CAB	TK35903	X				
		4WD 4-DR 3500 CREW CAB	TK35943	X				
		4WD 4-DR 3500 EXT CAB	TK35953	X				
	SONOMA	AWD 2-DR 3500 CREW CAB	TC35943	X				
		AWD 4-DR EXT CAB DENALI SWB	TK15753 DEN		X		DIFSC	ADMIN CODE CHANGE
			TC15703	X		2WD 1500 REG CAB SLE 119WB	DIFSC	
			TS10653 SL	X		2WD EXT CAB SL (AFTER 1/26/01)	DIFSC	2001 MODEL
			TS10653 SLS	X		2WD EXT CAB SLS (AFTER 1/26/01)	DIFSC	2001 MODEL
			TS10653 SLE	X		2WD EXT CAB SLE (AFTER 1/26/01)	DIFSC	2001 MODEL



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MAKE	MODEL	BODY STYLE	MODEL CODE	YES	NO	BODY STYLE	COMMENT CODE	COMMENTS
GMC	SONOMA		TT10653 SL	X		4WD EXT CAB SL (AFTER 1/26/01)	DIFSC	2001 MODEL
			TT10653 SLS	X		4WD EXT CAB SLS (AFTER 1/26/01)	DIFSC	2001 MODEL
			TT10653 SLE	X		4WD EXT CAB SLE (AFTER 1/26/01)	DIFSC	2001 MODEL
HONDA	CR-V	2WD 5-DR LX	RD684	X				
		2WD 5-DR LX AUTO W/SRS	RD685	X				
		4WD 5-DR EX 5-SP	RD778	X				
		4WD 5-DR EX AUTO	RD788	X				
		4WD 5-DR LX 5-SP	RD774	X				
		4WD 5-DR LX 5-SP W/SRS	RD775	X				
		4WD 5-DR LX AUTO	RD784	X				
		4WD 5-DR AUTO W/SRS	RD785	X				
HONDA	ODYSSEY	4-DR EX-L AUTO W/LEATHER	RL189	X				
		5-DR EX-L AUTO W/LEATHER/DVD	RL180	X				
ISUZU	AXIOM	4-DR 2WD	Y54		X		DIFSC	
		4-DR 4WD	Z54		X		DIFSC	
		4-DR XS 2WD	Y64		X		DIFSC	
		4-DR XS 4WD	Z64		X		DIFSC	
JEEP	GR CHEROKEE	4-DR 2WD WAGON SPORT	WJTM74 SP	X				
		4-DR 4WD WAGON OVERLAND	WJJS74	X				
		4-DR 4WD WAGON SPORT	WJJM74 SP	X				
	LIBERTY	4-DR 2WD LTD ED	KJTP74	X				
		4-DR 2WD SPORT	KJTH74		X		DIFSC	
		4-DR 4WD LTD ED	KJJP74	X				
		4-DR 4WD SPORT	KJJH74		X		DIFSC	
	WRANGLER	WRANGLER X	TJJM77	X				
KIA	SEDONA	4-DR MINIVAN EX AUTO	62242	X				
		4-DR MINIVAN LX AUTO	62222	X				
LAND ROVER/ RANGE ROVER	FREELANDER	5-DR UTILITY AWD S	S	X				
		5-DR UTILITY AWD SE	SE	X				
		5-DR UTILITY HSE	HSE	X				
LINCOLN	BLACKWOOD	4-DR 2WD SPORT UTILITY PICKUP	W05	X				
		4-DR 2WD NEIMAN MARCUS	W05 NM		X		DIFSC	
MAZDA	TRUCK	4X2 B2300 REG CAB BASE	B23S2P		X		DIFSC	
		4X2 B3000 CAB PLUS 5-SP	B30CXP		X		DIFSC	
		4X2 B3000 CAB PLUS AUTO	B30CXA		X		DIFSC	
		4X2 B2300 REG CAB SX	B23SSXP	X				2001 MODEL
		4X2 B2300 REG CAB SE	B23SSEP	X				2001 MODEL
		4X2 B4000 CAB PLUS SE	B404XP	X				2001 MODEL

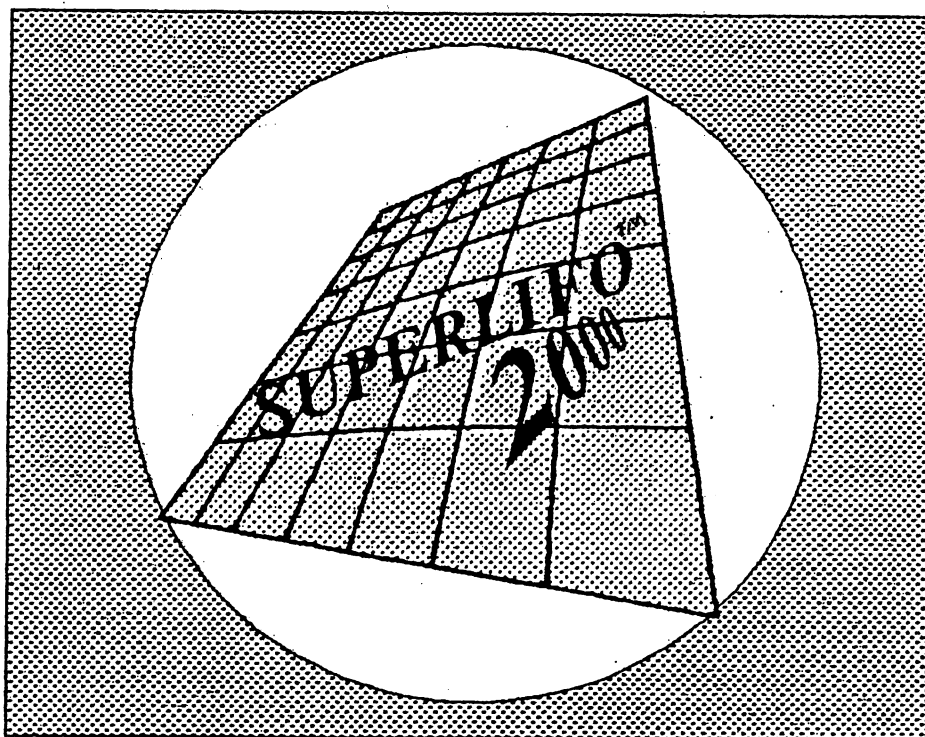


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MAKE	MODEL	BODY STYLE	MODEL CODE	YES	NO	COMMENT CODE	COMMENTS
MERCEDES BENZ	ML500	ML500 4-DR SPORT UTILITY	ML500	X			
	G500		G500	X		TIMING	2002 INTRO 1/8/02
MERCURY	MOUNTAINEER		U66	X		TIMING	2002 INTRO 11/29/00
			U86	X		TIMING	2002 INTRO 11/29/00
	VILLAGER	4-DR WAGON ESTATE PREMIUM	V14 ESTPR	X			
		5-DR WAGON POPULAR	V11 POP	X			
		5-DR WAGON SPORT PLUS	V12 SP+	X			
NISSAN	FRONTIER PICKUP	2WD CC SC V6 LONG BED AUTO	7381	X			
		2WD CC SE V6 LONG BED AUTO	7331	X			
		2WD CC SE V6 LONG BED W/LTH AUTO	7341	X			
		2WD CC XE LONG BED 5-SP	7325	X			
		2WD CC XE V6 LONG BED AUTO	7321	X			
		2WD KC I4 5-SP	1305	X			
		2WD KC I4 AUTO	1301	X			
		2WD KC SE V6 W/LTH AUTO	3341		X	DIFSC	
		2WD KC SE V6 LONG BED AUTO	8381	X			
		4WD CC XE V6 LONG BED 5-SP	8325	X			
	XTERRA	4WD CC XE V6 LONG BED AUTO	8321	X			
		4WD KC SE V6 W/LTH AUTO	4341		X	DIFSC	
		2WD SE V6 S/C 5-SP	1435	X			
		2WD SE V6 S/C AUTO	1431	X			
		2WD XE V6 S/C 5-SP	1415	X			1455 AS OF 10/27/01
		2WD XE V6 S/C AUTO	1411	X			1451 AS OF 10/27/01
		4WD SE V6 S/C 5-SP	1445	X			
		4WD SE V6 S/C AUTO	1441	X			
		4WD XE V6 S/C 5-SP	1425	X			1465 AS OF 10/27/01
		4WD XE V6 S/C AUTO	1421	X			1461 AS OF 10/27/01
OLDSMOBILE	BRAVADA	4-DR 2WD UTILITY	HS15506	X			
		4-DR AWD UTILITY	HT15506	X			
	SILHOUETTE	4-DR MINIVAN GLS AWD EXT 1SC	3UT16 GLS	X			
		4-DR MINIVAN PREMIERE AWD EXT	3UT16	X			
PONTIAC	MONTANA	4-DR MINIVAN EXT WB 1SA	2UM16 1SA	X			
		4-DR MINIVAN EXT WB AWD 1SX	2UT16 SX	X			
		4-DR MINIVAN EXT WB AWD 1SY W/PDY	2UT16 1SY	X			
		4-DR MINIVAN EXT WB 1SS	2UM16 1SS	X			2001 MODEL
		4-DR MINIVAN EXT WB 1ST	2UM16 1ST	X			2001 MODEL
SATURN	VUE	4-DR 2WD SPORT UTILITY 5-SP	ZLK26	X			
		4-DR 2WD SPORT UTILITY AUTO	ZLM26	X			
		4-DR AWD SPORT UTILITY AUTO	ZLL26	X			
		4-DR AWD SPORT UTILITY V6 AUTO	ZLN26	X			
SUBARU	FORESTER	4-DR S 2.5 W/PREM PKGLTH AWD AUTO	BZ		X	DIFSC	



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MAKE	MODEL	BODY STYLE	MODEL CODE	YES NO	BODY STYLE	COMMENT CODE	COMMENTS
SUZUKI	XL-7	2WD LIMITED AUTO	LVS82W	X			2001 MODEL
			LVR81U	X	2WD PLUS 5-SP	TIMING	2001 INTRO 12/1/00
			LVR82U	X	2WD PLUS AUTO	TIMING	2001 INTRO 12/1/00
			LVN81F	X	2WD STANDARD 5-SP	TIMING	2001 INTRO 12/1/00
		2WD STANDARD AUTO	LVN82F	X			
			LVS82T	X	2WD TOURING AUTO	TIMING	2001 INTRO 12/1/00
		4WD LIMITED AUTO	LWS82W	X			2001 MODEL
			LWR81U	X	4WD PLUS 5-SP	TIMING	2001 INTRO 12/1/00
		4WD STANDARD AUTO	LWR81F	X	4WD STANDARD 5-SP	TIMING	2001 INTRO 12/1/00
			LWN82F	X			
			LWS82T	X	4WD TOURING AUTO	TIMING	2001 INTRO 12/1/00
			FME83H	X	2-DR 2WD H/TOP JLS 5-SP	TIMING	2001 INTRO 8/1/00
	VITARA		FME84H	X	2-DR 2WD H/TOP JLS AUTO	TIMING	2001 INTRO 8/1/00
			FGE83H	X	2-DR 4WD H/TOP JLX 5-SP	DIFSC	2001 MODEL
			FGE84H	X	2-DR 4WD H/TOP JLX AUTO	DIFSC	2001 MODEL
TOYOTA	HIGHLANDER	4-DR 2WD AUTO	6910	X			
		4-DR 2WD LTD V6 AUTO	6934	X			
		4-DR 2WD V6 AUTO	6914	X			
		4-DR 4WD AUTO	6920	X			
		4-DR 4WD LTD V6 AUTO	6936	X			
		4-DR 4WD V6 AUTO	6924	X			
	RAV4		4417	X	2WD 4-DR 5-SP	TIMING	2001 INTRO 9/1/00
			4416	X	2WD 4-DR AUTO	TIMING	2001 INTRO 8/1/00
			4427	X	4WD 4-DR 5-SP	TIMING	2001 INTRO 8/1/00
			4426	X	4WD 4-DR AUTO	TIMING	2001 INTRO 9/1/00
	SEQUOIA		7914	X	2WD 4-DR LTD AUTO	TIMING	2001 INTRO 11/1/00
			7910	X	2WD 4-DR SR5 AUTO	TIMING	2001 INTRO 11/1/00
			7924	X	4WD 4-DR LTD AUTO	TIMING	2001 INTRO 11/1/00
			7920	X	4WD 4-DR SR5 AUTO	TIMING	2001 INTRO 11/1/00
	TACOMA		7186	X	2WD PRERUNNER DCAB AUTO	TIMING	2001 INTRO 11/1/00
			7188	X	2WD PRERUNNER DCAB V6 AUTO	TIMING	2001 INTRO 11/1/00
			7153	X	2WD XTRACAB S-RUNNER 5-SP	TIMING	2001 INTRO 11/1/00
			7594	X	4WD DCAB V6 AUTO	TIMING	2001 INTRO 11/1/00

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