



Willard J. De Filippis, CPA, PC

www.defilippis.com

A Quarterly Update of LIFO - News, Views and Ideas

# LIFO LOOKOUT

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## LIFO UPDATE

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

**#1. DETERMINATION OF FAIR MARKET VALUE OF INVENTORY IN LUMP SUM PURCHASE SITUATIONS.** In Rev. Proc. 2003-51, the IRS provided updated guidance on how a lump sum purchase price should be allocated to determine the fair market value of the underlying inventory items.

This determination is necessary when the assets of a business are purchased for a lump sum amount. It may also be necessary where a corporation acquires the stock of another corporation and makes an election under Section 338 to allocate the purchase price paid to the underlying assets acquired.

This current IRS guidance emphasizes that there should be a fair division between the buyer and the seller of the profit inherent in the inventories. This should take into account that the quantity of inventory purchased may be greater than the quantity of inventory that is usually or normally purchased.

To some extent, this guidance ties in with the finalization of the regulations under Sections 338 and 1060 in February 2001 which provided rules for basis allocations where assets are transferred in a deemed or actual asset acquisition. It is also instructive for LIFO inventory situations for companies that have made lump sum bargain purchases of goods that are included in opening LIFO inventories ... the classic *Hamilton Industries* (clear reflection of income) scenario. For more on Rev. Proc. 2003-51, see pages 2-4.

**#2. LIFO PRACTICE GUIDE CHECKLISTS.** In the midst of an otherwise quiet summer, many firms are evaluating their technical competence in—and hopefully not adverse exposure to—LIFO issues.

To help in this endeavor, three *Practice Guides* are included on pages 5-9. The first identifies ever-present "hot spots" in LIFO inventory situations. The second can help in establishing and documenting appropriate review procedures for LIFO inventories. And the third identifies circumstances that, in the

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past, have embroiled some CPAs in LIFO malpractice issues. We welcome your comments on these *Practice Guides*.

**#3. COMPARISON OF IRS & *SUPERLIFO* "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 are using service bureaus for their LIFO calculations, other firms still do their own new vehicle LIFO calculations and must be making these new item determinations each year for themselves.

The last comparison, involving determinations for the manufacturer model years 2001-2002 appeared in the June 2002 *LIFO Lookout*. We have made a similar detailed comparison for the model year 2003 new items based on the lists the IRS released in April, 2003. Our overview begins on page 10, and the detailed side-by-side comparisons for autos and light-duty trucks follow on pages 14-27.

see **LIFO UPDATE**, page 28

**DETERMINATION OF FAIR MARKET VALUE OF INVENTORY  
IN LUMP SUM ACQUISITION SITUATIONS**

**Background  
(Section 2)**

- If the assets of a business are purchased for a lump sum or if a corporation acquires the stock of another corporation and makes an election pursuant to Section 338 with respect to the acquisition, the purchase price (actual or deemed) must be allocated among the assets acquired to determine the basis of each of the assets.
- In making the allocation, a taxpayer must determine the fair market value of any inventory items acquired.
- In these situations, the quantity of inventory to be valued generally would be different from the quantity usually purchased.
- In addition, the fair market value of the goods in process and finished goods on hand must be determined in light of what a willing purchaser would pay and a willing seller would accept for the inventory at the various stages of completion, when the willing purchaser is not under any compulsion to buy and the willing seller is not under any compulsion to sell, and when both parties have reasonable knowledge of all relevant facts.
- In making the inventory valuation determination, *it is necessary to allow for a fair division between the buyer and the seller of the profit on the inventory*, taking into account that the quantity of inventory purchased may be greater than the quantity of inventory usually purchased. See *Knapp King-Size Corp. v. United States*, 527 F.2d 1392 (Ct. Cl. 1975).

**Effective  
Date**

- Generally, effective for taxable years ending on or after April 25, 1977.
- References in this Revenue Procedure (i.e., R.P. 2003-51) to Section 338 are coordinated with various effective dates resulting from Sections 332 and 334(b)(2) being superseded.
- **Citation:** Rev. Proc. 2003-51 - 2003-29 I.R.B. (June 25, 2003). Supersedes R.P. 77-12

**Three  
Methods**

- This Revenue Procedure describes three methods that may be used to determine the fair market value of inventory items for purposes of a purchase price allocation.
  - (1) **Replacement Cost Method** ... Previously, "cost of reproduction" method in R.P. 77-12
  - (2) **Comparative Sales Method**
  - (3) **Income Method**

**Replacement  
Cost  
Method  
(Section 3.01)**

- Generally provides a good indication of fair market value if inventory is readily replaceable in a wholesale or retail business
- Generally should not be used in establishing the fair market value of the work in process or finished goods of a manufacturing concern.
- In valuing a bulk inventory of raw materials or goods purchased for resale ..., the determination of the replacement cost of the individual items should be only a base or starting point. This base amount must be adjusted for factors that are generally relevant.  
For example, a willing purchaser might be expected to pay (and a willing seller might be expected to demand) a price for inventory that would compensate the seller not only for the current replacement cost, but also for a fair return on expenditures in accumulating and preparing the inventory for distribution.
- Thus, an amount equal to the fair value of the related costs that the taxpayer should have incurred in acquiring and accumulating the same quantity of goods had the goods been purchased separately (e.g., purchasing, handling, transportation, and off-site storage costs) should be added to the base amount.
- Additionally, in valuing a particular inventory ..., other factors may be relevant.  
For example, a well-balanced inventory available to fill customers' orders in the ordinary course of business may have a fair market value in excess of its cost of replacement because it provides a continuity of business, whereas an inventory containing obsolete merchandise unsuitable for customers may have a fair market value of less than the cost of replacement.



<i>Rev. Proc. 2003-51</i>	<b>DETERMINATION OF FAIR MARKET VALUE OF INVENTORY IN LUMP SUM ACQUISITION SITUATIONS</b>
<b>Comparative Sales Method (Section 3.02)</b>	<ul style="list-style-type: none"> <li>• Starts with the actual or expected selling prices of finished goods to customers in the ordinary course of business. This is the base amount that must be adjusted for factors that are generally relevant in determining the fair market value of the inventory.</li> <li>• The inventory to be valued may represent a larger quantity than the normal trading volume.</li> <li>• The expected selling price is a valid starting point only if the inventory is expected to be used to fill customers' orders in the ordinary course of business.</li> <li>• If the expected selling price is used as a basis for valuing finished goods inventory, the base amount must be adjusted for relevant factors, including:               <ol style="list-style-type: none"> <li>(1) The time that would be required to dispose of this inventory,</li> <li>(2) The expenses that would be expected to be incurred in the disposition, for example, all costs of disposition, applicable discounts (including those for quantity), sales commissions, and freight and shipping charges, and</li> <li>(3) A profit commensurate with the amount of investment in the assets and the degree of risk. (This analysis should include [but is not limited to] an evaluation of risks of possible changes in style/design, changes in price levels, increased competition, possible adverse economic conditions, the fact that the inventory to be valued may represent a larger quantity than the normal trading volume, etc.)</li> </ol> </li> </ul>
<b>Income Method (Section 3.03)</b>	<ul style="list-style-type: none"> <li>• The income method, when applied to fair market value determinations for finished goods, recognizes that finished goods must generally be valued in a profit motivated business.</li> <li>• As the amount of inventory may be large in relation to normal trading volume, the highest and best use of the inventory will be to provide for a continuity of the marketing operation of the going business.</li> <li>• Additionally, the finished goods inventory will usually provide the only source of revenue of an acquired business during the period it is being used to fill customers' orders.</li> <li>• The historical financial data of an acquired company can be used to determine the amount that could be attributed to finished goods in order to pay all costs of disposition and provide a return on the investment during the period of disposition.</li> </ul>
<b>Work In Process (Section 3.04)</b>	<ul style="list-style-type: none"> <li>• The fair market value of work in process should be based on the same factors used to determine the fair market value of finished goods reduced by the expected costs of completion, including a reasonable profit allowance for the completion and selling effort of the acquiring corporation.</li> </ul>
<b>Conclusions (Section 5)</b>	<ul style="list-style-type: none"> <li>• Valuing inventory is an inherently factual determination.</li> <li>• No rigid formulas should be applied.</li> <li>• These three methods are only guidelines for determining the fair market value of inventories.</li> <li>• The accompanying example is only a guideline for applying the methods.</li> </ul>
<b>Information relevant to, but not included in, Rev. Proc. 2003-51</b>	
<b>Bargain Purchase Considerations</b>	<ul style="list-style-type: none"> <li>• Inventory is deemed acquired in a bargain purchase if the actual cost of the inventory (or, if appropriate, the allocated cost of the inventory) was <i>less than or equal to 50%</i> of the replacement cost of physically identical inventory.</li> <li>• Inventory is not considered acquired in a bargain purchase if the actual cost of the inventory (or, if appropriate, the allocated cost of the inventory) was <i>greater than or equal to 75%</i> of the replacement cost of physically identical inventory.</li> <li>• The unanswered question: What happens where the cost amounts (or allocations) are <i>more than 50%, but less than 75%</i>, of the replacement cost?</li> <li>• See Reg. Sec. 1.472-8(h)(3).</li> </ul>
<b>Useful References</b>	<ul style="list-style-type: none"> <li>• Orbach, Kenneth, Samuel P. Starr, Stewart S. Karlinsky, Marc A. Hyman &amp; Greg W. Smith. <i>Sec. 338(h)(10) Checklist. The Tax Adviser</i>, March 2002, pgs. 174-180.</li> <li>• MacNeil, C. Ellen, Amy Sargent &amp; Stephen R. Wegener. <i>Final Regs. on Allocation of Purchase Price to Assets Affect Actual and Deemed Sales. The Journal of Taxation</i>, July 2001, pgs. 15-26.</li> <li>• Bush, John N. and Michael D. Mullaney. <i>Basis Allocations for a Target's Assets under the New Section 388 Temp. Regs. The Journal of Taxation</i>, June 1986, pgs. 328-333.</li> </ul>



**EXAMPLE OF REPLACEMENT COST METHOD FOR RAW MATERIALS  
& COMPARATIVE SALES METHOD FOR FINISHED GOODS**

<p><i>Facts ... General (Section 4)</i></p>	<ul style="list-style-type: none"> <li>• Manufacturer A purchased all the assets of Manufacturer B for a lump sum payment of \$31,000,000. The assets of Manufacturer B included quantities of finished goods and raw material inventory that were <i>larger than the normal trading volume</i>.</li> <li>• The inventories are in good condition and the raw materials include <i>minimal obsolete or subnormal goods</i>.</li> <li>• On the date of sale, B's books reflected finished goods inventory having a book value of \$4,000,000 and raw materials having a book value of \$300,000.</li> </ul>										
<p><i>Facts ... Finished Goods (Section 4)</i></p>	<ul style="list-style-type: none"> <li>• Manufacturer A expects to sell the acquired finished goods inventory to customers in the <i>ordinary course of business</i>.</li> <li>• An appraiser hired by Manufacturer A determined that under the circumstances, the expected retail selling price of the acquired finished goods inventory to customers was \$6,000,000. It was also determined that the cost of disposing of the finished goods inventory, including sales commissions, freight and shipping charges, was \$1,000,000.</li> <li>• Manufacturer A calculated that it would incur a holding cost of \$50,000 based on the average amount invested in holding the inventory, the period of time that would reasonably be expected to be necessary to dispose of the inventory, and the available established finance rate for the period.</li> <li>• It was determined that the allocation of profit to Mfg. A (the purchaser) should be \$450,000. This determination took into consideration ...               <ol style="list-style-type: none"> <li>(1) Mfg. A's investment in the assets of Mfg. B,</li> <li>(2) The risks Mfg. A would incur during the time it took to dispose, in the ordinary course of its business, of the quantity of acquired inventory, and</li> <li>(3) <i>A fair division of the profit on the finished goods inventory between Mfg. A &amp; Mfg. B.</i></li> </ol> </li> </ul>										
<p><i>Facts ... Raw Materials (Section 4)</i></p>	<ul style="list-style-type: none"> <li>• The appraiser determined that the replacement cost of the raw materials was \$310,000.</li> <li>• The appraiser computed a fair value of approximately \$4,100 for purchasing, handling, and storage costs to acquire and accumulate the raw materials.</li> <li>• The appraiser determined that there were minimal obsolete and subnormal goods, which would decrease the value of the inventories by approximately \$100.</li> <li>• In the ordinary course of business, Manufacturer B did not resell the raw materials without further processing.</li> <li>• Manufacturer A does not expect to resell in the ordinary course of business the raw materials without further processing.</li> </ul>										
<p><i>Calculations ... Finished Goods (Comparative Sales Method)</i></p>	<table> <tr> <td>Gross expected selling price</td> <td style="text-align: right;">\$ 6,000,000</td> </tr> <tr> <td>Deduct: Disposition costs (including sales commissions, freight and shipping charges)</td> <td style="text-align: right;">(1,000,000)</td> </tr> <tr> <td>Holding costs</td> <td style="text-align: right;">(50,000)</td> </tr> <tr> <td>Corporation A's profit (Fair division of profit)</td> <td style="text-align: right;">(450,000)</td> </tr> <tr> <td>Fair Market Value of finished goods inventory</td> <td style="text-align: right;"><u>\$ 4,500,000</u></td> </tr> </table>	Gross expected selling price	\$ 6,000,000	Deduct: Disposition costs (including sales commissions, freight and shipping charges)	(1,000,000)	Holding costs	(50,000)	Corporation A's profit (Fair division of profit)	(450,000)	Fair Market Value of finished goods inventory	<u>\$ 4,500,000</u>
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<p><i>Calculations ... Raw Materials (Replacement Cost Method)</i></p>	<table> <tr> <td>Current replacement cost of raw materials</td> <td style="text-align: right;">\$ 310,000</td> </tr> <tr> <td>Add: Purchasing, storage, and handling costs</td> <td style="text-align: right;">4,100</td> </tr> <tr> <td>Deduct: Obsolete and subnormal goods</td> <td style="text-align: right;">(100)</td> </tr> <tr> <td>Fair Market Value of raw materials inventory</td> <td style="text-align: right;"><u>\$ 314,000</u></td> </tr> </table>	Current replacement cost of raw materials	\$ 310,000	Add: Purchasing, storage, and handling costs	4,100	Deduct: Obsolete and subnormal goods	(100)	Fair Market Value of raw materials inventory	<u>\$ 314,000</u>		
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<p><i>Totals</i></p>	<table> <tr> <td>Fair Market Value of finished goods inventory</td> <td style="text-align: right;">\$ 4,500,000</td> </tr> <tr> <td>Fair Market Value of raw materials inventory</td> <td style="text-align: right;"><u>314,000</u></td> </tr> <tr> <td>Fair Market Value of acquired inventories</td> <td style="text-align: right;"><u>\$ 4,814,000</u></td> </tr> </table>	Fair Market Value of finished goods inventory	\$ 4,500,000	Fair Market Value of raw materials inventory	<u>314,000</u>	Fair Market Value of acquired inventories	<u>\$ 4,814,000</u>				
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Practice Guide	<b>"HOT SPOTS"</b> <b>IN LIFO INVENTORY SITUATIONS</b>
<b>Restore Writedowns to Satisfy Cost Requirement</b>	<div style="text-align: right;">Page 1 of 5</div> <ol style="list-style-type: none"> <li><b>Inventory on LIFO must be carried at cost ...</b> <ul style="list-style-type: none"> <li>If inventory on LIFO is not carried at cost, it is necessary to restore: <ul style="list-style-type: none"> <li>Arbitrary writedowns from cost and/or unsupported or unrealistic estimates</li> <li><b>Thor</b>-type writedowns (excessive quantities)</li> <li>Lower-of-cost-or-market writedowns</li> <li>Overhead not fully absorbed by cost accounting system <ul style="list-style-type: none"> <li>Section 263A (Inventory Cost Capitalization Requirements) implications</li> </ul> </li> <li>Standard costing, practical capacity, other writedowns</li> </ul> </li> </ul></li></ol>
<b>Use of Improper Cost Methods</b>	<ol style="list-style-type: none"> <li>Components-of-Cost Methods still no authoritative pronouncements or cases on this</li> <li>Elimination of trade discounts from inventory costs</li> <li>For parts-type inventories ... Special rules for use of Replacement cost method(s) where actual cost determinations are not possible/practical ... <ul style="list-style-type: none"> <li>IRS safe harbor method available ... Rev. Proc. 2002-17</li> </ul> </li> <li>For used vehicles ... Special rules for determining "cost" where Alternative LIFO Method for used vehicles (Rev. Proc. 2001-23) is elected</li> <li>Improper valuation of cores</li> </ol>
<b>Financial Statement Conformity Requirement</b>	<ol style="list-style-type: none"> <li>Last interim statement</li> <li>"Liberalized" disclosure vs. "primary presentation of income" disclosure</li> <li>For auto and truck dealers, Revenue Ruling 97-42 &amp; Rev. Proc. 97-44</li> <li>IRS has not provided any guidelines on what it will accept as a <i>reasonable estimate</i> of the year-end change in the LIFO reserve where financial statements must be released before the actual LIFO computation can be completed</li> </ol>
<b>Form 970</b>	<ol style="list-style-type: none"> <li>Failure to file Form 970</li> <li>Poor selection of alternatives or</li> <li>Electing one method, <u>but</u> actually employing another method</li> </ol>
<b>Inadequate Books &amp; Records</b>	<ol style="list-style-type: none"> <li>Often resulting in IRS (trying to) terminate LIFO election <ul style="list-style-type: none"> <li><i>Mountain State Ford Truck Sales, Inc., Consolidated Manufacturing, Inc., Boecking</i></li> </ul> </li> <li>Failure to save detail information or inability to reconstruct it could result in termination</li> <li>Auto dealers using Alternative LIFO Method for new vehicles are required to retain all invoices for vehicles included in year-end inventory</li> </ol>
<b>R.P. 79-23</b>	<ol style="list-style-type: none"> <li>IRS has the authority to invalidate a LIFO election because of failure to satisfy these eligibility requirements; but that is discretionary with the IRS</li> <li><b>Expanded risk</b> ... Situations listed in R.P. 79-23 are not the only cases where a LIFO election may be terminated</li> </ol>
<b>Determination of Cost for New Items</b>	<ol style="list-style-type: none"> <li>Reconstruction of prices for new items entering a LIFO pool for the first time ... versus use of current cost as the beginning-of-the-year cost</li> <li>Disputes or questions over <i>item</i> definition and what constitutes an <i>item</i></li> </ol>
<b>QSSS Groups</b>	<ol style="list-style-type: none"> <li>Lack of guidance on how QSSS group members' LIFO calculations should be ... or may be ... done</li> <li>Does each QSub have to make a separate LIFO election? Do all QSubs have to be on LIFO?</li> <li>Aggregation of content of all members' pools ... versus separate member pools</li> </ol>



Practice Guide	<p align="center"><b>"HOT SPOTS"</b> <b>IN LIFO INVENTORY SITUATIONS</b></p>
<p align="center"><b>Judgmental Sampling &amp; Repricing Approaches</b></p>	<p align="right">Page 2 of 5</p> <ol style="list-style-type: none"> <li>Inadequate sampling techniques <ul style="list-style-type: none"> <li>Use of sampling techniques to determine the extent of testing and indexes</li> <li>Repricing inventories at various levels that may or may not be an acceptable <ul style="list-style-type: none"> <li>70% of the dollars in ending inventory, or 50% of the items in ending inventory</li> <li>IRS has not issued any guidance on this</li> </ul> </li> <li>Application of improper statistical sampling technique used for audit purposes to (LIFO) inventories</li> <li>IRS Coordinated Issue Paper ... representative portion of inventory</li> </ul> </li> </ol>
<p align="center"><b>Link-Chain, Index Method</b></p>	<ol style="list-style-type: none"> <li>In reality, this is the LIFO method used by many taxpayers, especially where inventories are subject to considerable technological change</li> <li>Evidence or documentation to satisfy the IRS in order to justify the use of a link-chain, index method may be difficult to obtain, especially in change in accounting method situations: <ul style="list-style-type: none"> <li>Ratios of new items added and old items dropped</li> <li>Form 970 ... "X" wrong box ... erroneous description of method</li> </ul> </li> <li>Special filing requirement buried deep in the Regulations requires taxpayers who elect to use the link-chain, index method to notify the IRS National Office in Washington, D.C.</li> </ol>
<p align="center"><b>LIFO Recapture Issues</b></p>	<ol style="list-style-type: none"> <li>Vertical slice versus horizontal slice invasion of LIFO layers produce different results</li> <li>Conversion from C corporation status to S corporation status ... recapture spread over 4 years, but taxpayer is still on LIFO with a single "average cost" layer</li> <li>Corporate restructuring transactions where service may assert application of Section 1363(d) ... <i>Coggin Automotive Corporation</i> and its aftermath</li> </ol>
<p align="center"><b>Bargain Purchase Lump Sum Allocations</b></p>	<ol style="list-style-type: none"> <li>Inventory is deemed acquired in a bargain purchase if the actual cost of the inventory (or, if appropriate, the allocated cost of the inventory) was <i>less than or equal to 50%</i> of the replacement cost of physically identical inventory</li> <li>Inventory is not considered acquired in a bargain purchase if the actual cost of the inventory (or, if appropriate, the allocated cost of the inventory) was <i>greater than or equal to 75%</i> of the replacement cost of physically identical inventory</li> <li>The unanswered question: What happens where the cost amounts (or allocations) are <i>more than 50%, but less than 75%</i>, of the replacement cost?</li> <li>See Reg. Sec. 1.472-8(h)(3)</li> <li><i>Hamilton Industries, Inc., Amity Leather Products</i> ... clear reflection of income issues</li> </ol>
<p align="center"><b>Year-End "Planning"</b></p>	<ol style="list-style-type: none"> <li>Year-end "planning" involving activities designed to prevent penetration of LIFO layers or base inventory that may be subject to IRS challenge <ul style="list-style-type: none"> <li>Goods are not actually "inventory," therefore LIFO is inapplicable to questionable repurchase arrangements and/or purchases</li> <li>Goods never left taxpayer's control - short-cutting the payment</li> </ul> </li> </ol>
<p align="center"><b>Unauthorized Changes in LIFO Methods</b></p>	<ol style="list-style-type: none"> <li>Especially common when accounting firms are changed and/or individuals responsible for LIFO tax matters are changed</li> <li>Correcting errors in prior years' calculations and methods without approval</li> <li>Rev. Proc. 2002-9: changes in method that can be made after year-end without advance IRS approval</li> <li>Rev. Proc. 97-27: changes in method that cannot be made without first obtaining approval from the IRS, payment of filing fee, and possibly a long wait for the IRS to finalize action on the application</li> </ol>



Practice Guide	LIFO RESERVE REVIEW PROCEDURES
Proofs & Reconciliations	<p style="text-align: right;">Page 3 of 5</p> <ol style="list-style-type: none"> <li>1. Review annual computations of increase or decrease in LIFO reserves</li> <li>2. Reconcile computations <ul style="list-style-type: none"> <li>• Reconciliation/analysis of LIFO reserve at the end of the year ... this will show the amount (or portion) of the LIFO reserve at the end of each year that is attributable to the base year and to each remaining year's layer</li> <li>• Reconciliation of change (net increase or decrease) in the LIFO reserve for the year <ul style="list-style-type: none"> <li>♦ <b>Upward influences</b> ... causing increases <ul style="list-style-type: none"> <li>▪ Price increases ... inflation</li> <li>▪ Quantity increases ... if dual-index methodology ("earliest acquisitions") is used</li> </ul> </li> <li>♦ <b>Downward influences</b> ... causing decreases <ul style="list-style-type: none"> <li>▪ Price decreases ... deflation</li> <li>▪ Decreases in inventory investment levels - i.e., pay-backs of previously built-up LIFO reserves to the extent necessitated by the carryback of a current-year quantity decrease (referred to as a "decrement") against increases ("increments") built up in prior years. This carryback is made/applied in reverse chronological or LIFO order. ... <b>Warning:</b> Where negative LIFO reserves are involved (or successive years of deflation have been experienced), the opposite result may occur.</li> </ul> </li> </ul> </li> </ul> </li> </ol>
Documentation	<ol style="list-style-type: none"> <li>1. Review, prepare and/or update LIFO memoranda in the files <ul style="list-style-type: none"> <li>• Price changes, trends and problems</li> <li>• Quantity changes, trends and problems (explain increases)</li> <li>• Technological change - normal product upgrading or minimal changes, near-term or long-term problems</li> <li>• <b>Critical question for users of link-chain, index method:</b> How is technological change reflected in (i.e., factored out of) the LIFO inflation index computation? ... This is especially critical as a result of the <i>Hamilton Industries, Inc.</i> Tax Court Decision. Is there a memo in the file that satisfactorily addresses this issue?</li> </ul> </li> <li>2. Review updated memoranda and/or conclusions with management</li> </ol>
Reasonableness of Overall Results & Continuity	<ol style="list-style-type: none"> <li>1. Review reasonableness of overall LIFO indexes ... Average annual inflation percentages or rates <i>per year</i> times the number of years the LIFO election has been effect</li> <li>2. Do results seem to fall within a reasonable range? Are results supported by objective external data?</li> <li>3. Do results "clearly reflect income?" Exposure to <i>Hamilton Industries</i> if they don't.</li> <li>4. Are indexes exaggerated by the absence of adjustments for technological change, etc.</li> <li>5. If dual indexes are used to value increments, does result approximate use of single overall index?</li> </ol>
Advisability of Changing Accounting Methods	<ol style="list-style-type: none"> <li>1. Consider advisability of changing LIFO accounting method and/or procedures <ul style="list-style-type: none"> <li>• Change in facts ... does not require filing Form 3115</li> <li>• Changes in accounting method - Form 3115 filings necessary <ul style="list-style-type: none"> <li>♦ Changes not requiring user fee &amp; for which approval is automatic</li> <li>♦ Changes requiring user fee and filing before year-end <ul style="list-style-type: none"> <li>▪ File Form 3115 (original) with tax return &amp; copy with IRS in Washington, D.C.</li> </ul> </li> </ul> </li> <li>• Consider incentives under recent Rev. Procs. to file <u>before</u> being raised as an issue <ul style="list-style-type: none"> <li>♦ Use of cut-off method (no Sec. 481(a) adjustment) where LIFO methods are involved</li> </ul> </li> <li>• Discuss with client management</li> <li>• Implement appropriate, timely action</li> </ul> </li> </ol>
Resources	<ol style="list-style-type: none"> <li>1. Consult <a href="http://www.defilipps.com">www.defilipps.com</a> for complete list of articles in <i>LIFO Lookout</i> (1991 to date)</li> <li>2. <i>Federal Income Taxation of Inventories</i> Leslie D. Schneider, J.D., CPA, Matthew Bender, Publisher ... 3 Volume, Loose-Leaf Service, with periodic updates</li> </ol>



**Practice  
Guide**

**PROTECTING YOUR FIRM  
FROM LIFO MALPRACTICE EXPOSURE**

Page 4 of 5

**How  
LIFO  
Problems  
Arise**

1. Within the CPA Firm
  - Rapid firm expansion and growth: growing firms, growing exposure
  - New clients accepted with little or no review of LIFO practices
  - Turnover of tax personnel responsible for LIFO computations & coordination
  - Limited experience within the Firm in handling LIFO matters
  - Lack of familiarity with
    - ♦ recent IRS Administrative developments
    - ♦ recent Tax Court and other cases
  - Failure to change the client to a more advantageous LIFO methods as they become available or more desirable (especially with potential audit protection from cut-off method)
2. Other CPAs (peers) may raise questions
  - Clients change firms, moving from one firm to another ... new CPA firm reviews LIFO methods and practices and finds oversights, problems or lost opportunities
  - Client is solicited by another CPA firm and LIFO comes up in the discussion
  - Client is considering selling business and CPAs for potential purchaser review LIFO inventory practices
  - Hostile, antagonistic, "second guessing" attitudes
  - Current CPA profession emphasis on "peer review" - do reviewers even think about this kind of LIFO exposure?
3. Client raises questions based on information (or hearsay) heard or read about elsewhere
  - Trade association meetings, 20 Group meetings and/or NADA workshops
  - Trade publications and general press (barber and/or golfing buddies)
  - Client is in financial trouble and brings in consultant to try to salvage "whatever they can" and they look at inventory valuation practices
4. Internal Revenue Service (IRS) audits
  - Real, technical issues affecting LIFO eligibility:
    - ♦ Cost
    - ♦ financial statement conformity
    - ♦ consent (Form 970)
    - ♦ adequacy of information and books & records
    - ♦ computational technicalities
  - LIFO terminations "bluff" ... vs. Revenue Procedure 79-23 and the expanded interpretations of Rev. Proc. 79-23
  - Less scrutiny of LIFO in the future by the IRS?

**Sarbanes-Oxley  
Implications  
2003**

1. The Conceptual Framework for Auditor Independence of the Independence Standards Board describes the "**self-review**" **threat** as follows:  
 "It may be more difficult to evaluate without bias one's own work, or that of one's firm, than the work of someone else or of some other firm. Therefore, a self-review threat may arise when auditors review judgments and decisions they, or others in their firm, have made."
2. This could apply to reviewing the interpretation of certain LIFO provisions and/or the computations and/or compliance with financial statement conformity requirements.

**Related  
Practice Guides**

- "**Hot Spots**" in LIFO Inventory Situations ... Page 1 of 5
- LIFO Reserve Review Procedures Checklist ... Page 3 of 5





Practice Guide	<b>PROTECTING YOUR FIRM FROM LIFO MALPRACTICE EXPOSURE</b>
<b>Liability for LIFO Adjustments or Terminations by the IRS</b>	<div style="text-align: right;">Page 5 of 5</div> <p style="text-align: center;"><b><i>"You have a malpractice case if there is no reasonable explanation for a terrible result."</i></b></p> <ol style="list-style-type: none"> <li>1. Client/Taxpayer pays the deficiency, plus interest ... years later</li> <li>2. Client/Taxpayer may bring action against CPA firm</li> <li>3. Statute of limitations ... from a tax standpoint</li> <li>4. Statute of limitations ... from a legal liability standpoint</li> </ol>
<b>Types of LIFO-Related Claims Against CPAs</b>	<ol style="list-style-type: none"> <li>1. Failure to comply with basic or obvious requirements (i.e., Form 970 not filed, violation of financial statement conformity requirements, etc.)</li> <li>2. Careless computations (where common sense should have been applied) resulting in extensive IRS audit time and defense ... for which client feels it should not have to pay CPA firm</li> <li>3. Client was not properly defended during audit when IRS questioned LIFO methods or eligibility ... Situation may involve audit of LIFO matters in years before current Firm became the accountants ... or, it may involve LIFO matters in years where the client was a client at the time</li> <li>4. CPA failed to use aggressive LIFO methods or CPA used inappropriate methods (i.e., did not pool broadly enough; did not use link-chain method, etc.)</li> <li>5. CPA waited too long to "put the client on LIFO" ... current example, for some, keeping auto dealers who recently elected LIFO for used vehicles on LIFO despite continuing deflation ... Not considering changing to the IPIC method after Regulations were changed to no longer require a 20% reduction of the inflation index computed for the year</li> <li>6. Client wasn't "warned" that LIFO could backfire ... from either economic standpoint or from IRS audit standpoint</li> <li>7. Tax provision in the Financial Statements may be materially inaccurate if it is based on assumption that client was legitimately on LIFO, and for some reason, the client is not</li> </ol>
<b>CPAs Responsibilities in LIFO Matters</b>	<ol style="list-style-type: none"> <li>1. Obligation to undertake reasonable research in an effort to ascertain relevant information and to make informed decision</li> <li>2. Duty to avoid involving client in murky areas (of LIFO) if research reveals comparatively safer or alternative courses of conduct</li> <li>3. Duty to inform client of uncertainties so that the client makes the decision</li> <li>4. Duty to inform client of possibility of assertion of penalties by the IRS</li> <li>5. Duty to "substantially perform" task in professional manner</li> <li>6. Duty to not accept engagement in an area in which the Firm is not qualified</li> <li>7. A CPA firm may accept an engagement if, in good faith, the Firm expects to become qualified through study, investigation, consultation with a specialist, etc.</li> </ol>
<b>Preventative Measures &amp; Suggestions</b>	<ol style="list-style-type: none"> <li>1. Workpaper file documentation and responsibility for retention of inventory-related records</li> <li>2. Memoranda in files should be updated annually and approved by a reviewing partner</li> <li>3. Communication with client of sensitive or aggressive interpretations of Regulations</li> <li>4. Communication with former CPAs to determine appropriateness of their handling of LIFO matters in prior years</li> <li>5. Development and use of a LIFO (reserve) review procedures checklist</li> <li>6. If Firm lacks specialized LIFO knowledge, consider assigning two individuals to become responsible for LIFO research, review and implementation of methods <ul style="list-style-type: none"> <li>• Why two individuals are preferable to one...</li> </ul> </li> <li>7. Review Firm LIFO practices periodically <ul style="list-style-type: none"> <li>• In-Firm review of ongoing handling of LIFO work for clients</li> <li>• Before accepting new clients to evaluate scope/adequacy of LIFO practices</li> <li>• Before merging with another CPA firm to evaluate potential liability</li> </ul> </li> </ol>

# COMPARISON OF *SUPERLIFO* & IRS NEW ITEM DETERMINATIONS FOR NEW VEHICLES IN YEAR-END 2002 INVENTORIES

We are pleased to present our *SUPERLIFO* 2003 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 can be found in IRS Publication 1947 (Rev. 04-03), Catalog Number 24599W. These were distributed with a cover letter dated April 21, 2003, and contain a disclaimer on each page that "This list is not intended for pooling purposes."

The following sources were used to compile the IRS' New Items Lists... *Edmunds.com*, *Kelley Blue Book New Car Price Manual* First & Second Editions 2003, *Car and Driver*, *Automobile Magazine*, *Automotive News*, and where available, product brochures, manufacturers' price lists and vehicle order guides.

You should be aware that the new item interpretations reflected in the IRS *unofficial* lists 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 14 pages. New automobiles are on pages 1 through 7; new light-duty trucks (including sport utility vehicles, minivans and off-roads) are on pages 8 through 14. 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 Rev-

enue 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 numbers) 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, 2002 year-end vehicles, we identified 530 new item categories (241 autos and 289 light-duty trucks) whereas the IRS identified 450 (208 autos and 242 light-duty trucks). We both reached the same conclusion on 394 new items.

We identified 136 item categories as *new*, but the IRS determined them to be *continuing*. The IRS identified 56 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 12.

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 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 or (2) as a "model code change."

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 12, 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 presents some challenges.

#### 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, 2002

	LEFT-HAND COLUMN				RIGHT-HAND COLUMN	
	SUPERLIFO SAID NEW (A)	IRS SAID NEW (B)	SUPERLIFO & IRS BOTH AGREE		SUPERLIFO SAID NEW, IRS SAID CONTINUING (C)	IRS SAID NEW, SUPERLIFO SAID CONTINUING (D)
			(A - C)	(B - D)		
<b>AUTOS</b>						
Page 1	20	26	14	14	6	12
Page 2	45	47	40	40	5	7
Page 3	41	33	26	26	15	7
Page 4	41	25	22	22	19	3
Page 5	37	29	25	25	12	4
Page 6	46	39	35	35	11	4
Page 7	11	9	9	9	2	0
<b>TOTAL AUTOS</b>	<b>241</b>	<b>208</b>	<b>171</b>	<b>171</b>	<b>70</b>	<b>37</b>
<b>TRUCKS</b>						
Page 8	38	35	30	30	8	5
Page 9	50	50	47	47	3	3
Page 10	50	50	48	48	2	2
Page 11	49	30	27	27	22	3
Page 12	37	30	28	28	9	2
Page 13	43	32	31	31	12	1
Page 14	22	15	12	12	10	3
<b>TOTAL TRUCKS</b>	<b>289</b>	<b>242</b>	<b>223</b>	<b>223</b>	<b>66</b>	<b>19</b>
<b>TOTAL AUTOS &amp; TRUCKS</b>	<b>530</b>	<b>450</b>	<b>394</b>	<b>394</b>	<b>136</b>	<b>56</b>

Out of the differences in Columns C & D, 21 cars and 17 truck differences were not "interpretive" differences. Rather, these 38 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 38 "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

SUPERLIFO RECEIVED INFO EARLIER OR LATER

CARS - EARLIER 3  
CARS - LATER 18

TRUCKS - EARLIER 2  
TRUCKS - LATER 15

CARS - EARLIER 18  
CARS - LATER 3

TRUCKS - EARLIER 15  
TRUCKS - LATER 2





# **SUPERLIFO™ 2003 NEW ITEMS VS. IRS 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 2002-2003**

#### **SUPERLIFO™ - NEW ITEMS LIST FOR CALENDAR YEAR 2002 DEALERS**

#### **& IRS MOTOR VEHICLE TECHNICAL ADVISOR PROGRAM (DECEMBER, 2002 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**

	<b><u>SUPERLIFO™ CATEGORY</u></b>	<b><u>IRS CATEGORY</u></b>
AUTOMOBILES	241	208
LIGHT-DUTY TRUCKS	289	242
TOTAL NEW ITEM CATEGORIES	530	450

**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, 2002**

SUPERLIFO™ - NEW ITEMS LIST FOR CALENDAR YEAR 2002 DEALERS				IRS MOTOR VEHICLE INDUSTRY (DECEMBER, 2002 CALENDAR YEAR)			PAGE 1 OF 14	
MAKE	MODEL	BODY STYLE	MODEL CODE	YES	NO	BODY STYLE	COMMENT CODE	COMMENTS
		NEW AUTOMOBILES				NEW AUTOMOBILES		
ACURA	CL	2-DR COUPE S 6-SP	YA416	X				
		2-DR COUPE S W/NAV 6-SP	YA417	X				
AUDI	A4 SERIES	2-DR CABRIOLET CONVERT 3.0 AUTO	8H75FH	X				
			8H75ZH	X		2-DR CABRIOLET CONVERT 1.8 Turbo Auto	TIMING	03 MODEL 1/1/03 INTRO
	TT	2-DR COUPE 1.8 225 ALMS COM ED	8NS569	X				
BMW	3 SERIES	325Ci 2-DR COUPE	31	X				
		325i 4-DR SEDAN 2.5	48		X			
		325iT 3-DR SPORT WAGON	38		X			
	5 SERIES		44	X		325i 4-DR SEDAN 2.5L	DIFSC	
		540i 4-DR SEDAN ZSP	58 ZSP		X			02 MODEL
			54	X		525iT 4-DR SPORT WAGON 2.5L	DIFSC	
	7 SERIES		53	X		540i 4-DR SEDAN V8 4.4L	DIFSC	
		745i 4-DR SEDAN	74	X				
		745Li 4-DR SEDAN	79	X				
	M3		32	X		2-DR COUPE 3.2L	DIFSC	
	Z4		37	X		2-DR CONVERTIBLE 3.2L	DIFSC	
		2-DR ROADSTER 2.5	25	X				
	2-DR ROADSTER 3.0	28	X					
	Z8		80	X		2-DR ROADSTER 5.0L	DIFSC	
CADILLAC	CTS	4-DR SEDAN	6DM69	X				
	ELDORADO		6EC57	X		2-DR COUPE ECS	TIMING	02 MODEL 12/18/01 INTRO
CHEVROLET	CAVALIER	2-DR COUPE LS	1JF37		X		DIFSC	ADMIN CODE CHANGE
CHRYSLER	SEBRING 300M		JRCH41	X		4-DR SEDAN LX	DIFSC	
			LHYX42	X		4-DR SEDAN V6 LTD PRODUCTION	TIMING	02 MODEL 7/1/01 INTRO
DODGE	INTREPID NEON	4-DR SEDAN SXT	LHDP41 SXT	X				
		4-DR SEDAN (WEST COAST)	PLDE41	X				
			PLDP41 SXT	X		4-DR SEDAN SXT	TIMING	02 MODEL 12/20/01 INTRO
			PLDP41 SXT	X		4-DR SEDAN SXT W/QOP-24J	DIFSC	02 MODEL
	STRATUS	2-DR COUPE SXT	STDH22 SXT		X		DIFSC	
		4-DR SEDAN SXT	JRDH41 SXT		X		DIFSC	ADMIN CODE CHANGE
	VIPER	4-DR SEDAN R/T	JRDX41	X			DIFSC	
		2-DR CONVERTIBLE SRT/10	ZBDS27	X				





SUPERLIFO™ - NEW ITEMS LIST FOR CALENDAR YEAR 2001 DEALERS				IRS MOTOR VEHICLE INDUSTRY (DECEMBER, 2001 CALENDAR YEAR)		PAGE 2 OF 14	
MAKE	MODEL	BODY STYLE	MODEL CODE	YES	NO	BODY STYLE	COMMENT CODE
FORD	CR VICTORIA	4-DR SEDAN POLICE INTERCEPTOR 720	P71 720A	X			DIFSC
		4-DR SEDAN FLEET 900	P70 900	X			DIFSC
		4-DR SEDAN NGV 110A	P73 110A	X			
			P73 100C	X		4-DR SEDAN STANDARD 100C	DIFSC
	FOCUS		P74 200B	X		4-DR SEDAN STANDARD 200B	DIFSC
			P74 230B	X		4-DR SEDAN STANDARD 230B	DIFSC
		3-DR HATCHBACK VT WIZTEC 900A	P39	X			DIFSC
		4-DR WAGON SE ZTW 410A	P36 410A	X			DIFSC
			P33 240F	X		4-DR SEDAN LX 240F FLEET	DIFSC
			P36 440F	X		4-DR WAGON SE 440F FLEET	DIFSC
			P36 450F	X		4-DR WAGON SE 450F FLEET	DIFSC
		5-DR HATCHBACK ZX5 COMFORT 610A	P37 610A	X			
		5-DR HATCHBACK ZX5 PREMIUM 620A	P37 620A	X			
		5-DR HATCHBACK SVT WIZTEC 690	P37 690	X			
	MUSTANG		P38 550A	X		4-DR SEDAN ZTS FEATURE CAR 550A	DIFSC
		2-DR CONVERTIBLE COBRA 350A	P49	X			
		2-DR COUPE COBRA 300A	P48	X			
	THUNDERBIRD	2-DR COUPE MACH 1 145A	P42 145	X			
		LIMITED EDITION 007	P62		X		DIFSC
HONDA	ACCORD	2-DR COUPE 2.4 EX 5-SP	CM716	X			
		2-DR COUPE 2.4 EX 5-SP W/LTHR	CM716L	X			
		2-DR COUPE 2.4 EX 5-SP W/LTHR/NAV	CM717	X			
		2-DR COUPE 2.4 EX AUTO	CM726	X			
		2-DR COUPE 2.4 EX AUTO W/LTHR	CM728 L	X			
		2-DR COUPE EX AUTO W/LTHR/NAV	CM727	X			
		2-DR COUPE 2.4 LX 5-SP	CM712	X			
		2-DR COUPE 2.4 LX 5-SP W/SRS	CM713	X			
		2-DR COUPE 2.4 LX AUTO	CM722	X			
		2-DR COUPE 2.4 LX AUTO W/SRS	CM723	X			
		2-DR COUPE 3.0 EX 6-SP W/LTHR	CM816	X			
		2-DR COUPE 3.0 EX 6-SP W/LTHR/NAV	CM817	X			
		2-DR COUPE 3.0 EX AUTO W/LTHR	CM826	X			
		2-DR COUPE 3.0 EX AUTO W/LTHR/NAV	CM827	X			
		2-DR COUPE 3.0 LX AUTO	CM822	X			
		2-DR COUPE 3.0 ULEV 6-SP W/LTHR	CM816 ULEV	X			
		2-DR COUPE 3.0 ULEV EX 6-SP W/LTHR/NAV	CM817 ULEV	X			
		2-DR COUPE 3.0 ULEV EX AUTO W/LTHR	CM826 ULEV	X			
		2-DR COUPE 3.0 ULEV EX AUTO W/LTHR/NAV	CM827 ULEV	X			
		2-DR COUPE 3.0 ULEV LX AUTO	CM822 ULEV	X			
		4-DR SEDAN 2.4 DX 5-SP	CM551	X			
		4-DR SEDAN 2.4 SX AUTO	CM561	X			
		4-DR SEDAN 2.4 EX 5-SP	CM556	X			
		4-DR SEDAN 2.4 EX 5-SP W/LTHR	CM556 L	X			
		4-DR SEDAN 2.4 EX AUTO PZEV	CM566 PZEV	X			
		4-DR SEDAN 2.4 EX AUTO W/LTHR	CM566 L	X			
		4-DR SEDAN 2.4 EX AUTO W/LTHR PZEV	CM566 LP	X			
		4-DR SEDAN 2.4 EX AUTO W/LTHR/NAV	CM567	X			
		4-DR SEDAN 2.4 EX AUTO W/LTHR/NAV PZEV	CM567 PZEV	X			
		4-DR SEDAN 2.4 LX 5-SP	CM553	X			
		4-DR SEDAN 2.4 LX 5-SP W/SRS	CM554	X			
		4-DR SEDAN 2.4 LX AUTO	CM563	X			
		4-DR SEDAN 2.4 LX AUTO PZEV	CM563 PZEV	X			



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MAKE	MODEL	BODY STYLE	MODEL CODE	YES	NO	BODY STYLE	COMMENT CODE	COMMENTS
HONDA	ACCORD	4-DR SEDAN 2.4 LX AUTO W/SRS	CM564	X				
		4-DR SEDAN 2.4 LX AUTO W/SRS PZEV	CM584 PZEV	X				
		4-DR SEDAN 3.0 AUTO W/LTHR/NAV	CM668	X				
		4-DR SEDAN 3.0 EX AUTO W/LTHR	CM665	X				
		4-DR SEDAN 3.0 LX AUTO	CM663	X				
		4-DR SEDAN 3.0 ULEV EX AUTO W/LTHR	CM665 ULEV	X				
		4-DR SEDAN 3.0 ULEV LX AUTO	CM663 ULEV	X				
		4-DR SEDAN EX 5-SP W/LTHR/NAV	CM557	X				
		4-DR SEDAN EX AUTO	CM566	X				
		4-DR SEDAN ULEV EX AUTO W/LTHR/NAV	CM668 ULEV	X				
	CIVIC		EP335	X		3-DR HATCHBACK SI 5-SP	TIMING	02 MODEL 8/01 INTRO
			EP336	X		3-DR HATCHBACK SI 5-SP W/SRS	TIMING	02 MODEL 8/01 INTRO
		4-DR SEDAN HYBRID 5-SP	ES956	X				
		4-DR SEDAN HYBRID AUTO	ES966	X				
HYUNDAI	ACCENT		13313	X		3-DR COUPE HATCHBACK 5-SP	DIFSC	4TH DIGIT CODE CHANGE
			13322	X		3-DR COUPE HATCHBACK AUTO	DIFSC	4TH DIGIT CODE CHANGE
			13323	X		3-DR COUPE HATCHBACK 5-SP	DIFSC	4TH DIGIT CODE CHANGE
	ELANTRA	4-DR SEDAN GT 5-SP	42453	X				
		4-DR SEDAN GT AUTO	42452	X				
	TIBURON	2-DR SPORT COUPE 5-SP	52323	X				
		2-DR SPORT COUPE AUTO	52322	X				
		2-DR SPORT COUPE GT 5-SP	52343	X				
		2-DR SPORT COUPE GT 6-SP	52353	X				
		2-DR SPORT COUPE GT AUTO	52342	X				
INFINITI	G35	2-DR COUPE 5MT W/LTHR	9936	X				
		2-DR COUPE AUTO	9901	X				
		2-DR COUPE AUTO W/LTHR	9921	X				
		4-DR SEDAN AUTO W/CLOTH	9001	X				
		4-DR SEDAN AUTO W/LTHR	9051	X				
			80013	X		4-DR SPORT SEDAN AUTO W/CLOTH	TIMING	03 MODEL 3/4/03 INTRO
	M45 Q45	4-DR SEDAN AUTO	80513	X		4-DR SPORT SEDAN AUTO W/LTHR	TIMING	03 MODEL 3/4/03 INTRO
		4-DR SEDAN PREMIUM	9801	X				
			9471		X		TIMING	03 MODEL 11/15/02 INTRO
JAGUAR	S-TYPE	4-DR SEDAN 4.2 V8	S 4.2		X			
		4- SEDAN R	R		X		DIFSC	
LINCOLN	LS	4-DR SEDAN V6 LSE 5-SP 146A	M86 LSE	X			DIFSC	02 MODEL
		4-DR SEDAN V6 LSE AUTO 136A	M86 LSEA	X			DIFSC	02 MODEL
		4-DR SEDAN V8 LSE AUTO 221A	M87 221	X			DIFSC	02 MODEL
		4-DR SEDAN V8 PREM SPORT 222A	M87 222	X			DIFSC	02 MODEL
		4-DR EXECUTIVE LIMO 910A	M81 910A	X			DIFSC	02 MODEL
		4-DR EXECUTIVE LIVERY	M81 900A	X			DIFSC	
		4-DR SEDAN CARTIER 300A	M83 300A	X			DIFSC	
		4-DR SEDAN CARTIER L 500A	M85 500A	X			DIFSC	
		4-DR SEDAN CARTIER PREM 320A	M83 320A	X			DIFSC	
		4-DR SEDAN EXECUTIVE 100A	M81	X			DIFSC	
	TOWN CAR	4-DR SEDAN EXECUTIVE 930A	M84 930A	X			DIFSC	
		4-DR SEDAN SIGNATURE 200A	M82 200A	X			DIFSC	
		4-DR SEDAN SIGNATURE PREM 220A	M82 220A	X			DIFSC	
							DIFSC	





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MAKE	MODEL	BODY STYLE	MODEL CODE	YES	NO	BODY STYLE	COMMENT CODE	COMMENTS
MAZDA	MAZDA 6	6I 4-DR SEDAN	MZ6 I	X				
		6S 4-DR SEDAN	MZ6 S	X				
	MX-5 MIATA	2-DR CONVERTIBLE CLUB SPORT	MIA CS	X				
	MILLENNIA	4-DR SEDAN PREM SPECIAL EDITION	MX5	X		2-DR CONVERTIBLE SE LTD AVAILABILITY	DIFSC	02 MODEL
		4-DR SEDAN S SECIAL EDITION	MIL PS	X				
MERCEDES BENZ	C CLASS	4-DR SEDAN MAZDASPEED	MIL SS	X				
			PRO MS	X				
		C230 KOMPRESSOR SPORT SEDAN	C230		X			
		C240 4-DR SEDAN 4M	C240 W4M		X		DIFSC	
		C240 4-DR SEDAN W4 AUTO	C240 W4A		X		DIFSC	
		C240 4-DR WAGON 4M	C240 S4M	X			DIFSC	
		C240 4-DR WAGON S	C240 S		X			
		C240 4-DR WAGON S4 AUTO	C240 S4A		X		DIFSC	
		C320 4-DR SEDAN 4M	C320 W4M		X		DIFSC	
		C320 4-DR WAGON 4M	C320 S4M		X		DIFSC	
	CLK CLASS	CLK320 2-DR COUPE	CLK320 C		X		DIFSC	
		CLK500 2-DR COUPE	CLK500 C	X			DIFSC	
	E CLASS	E320 4-DR SEDAN	E320 W		X			
		E500 4-DR SEDAN	E500 W	X			DIFSC	
	S CLASS	S430 4-DR SEDAN 4M AUTO	S430 V4M		X			
		S500 4-DR SEDAN 4M AUTO	S500 V4M		X		DIFSC	
	SL CLASS	SL500 2-DR COUPE/ROADSTER	SL500	X			DIFSC	
		SL55 AMG 2-DR SPORT COUPE	SL55 AMG	X				
MERCURY	GRAND MARQUIS	4-DR SEDAN GS 100A	M74 100A		X			
		4-DR SEDAN GS CONV 110A	M74 110A		X		DIFSC	
		4-DR SEDAN GS CONV 110A REG	M74 REG		X		DIFSC	
		4-DR SEDAN LS PREMIUM 200A	M75 200A		X		REG	
		4-DR SEDAN LS ULT 230A	M75 230A		X		DIFSC	
		4-DR SEDAN LS ULT 230A REG	M75 REG		X		DIFSC	
		4-DR SEDAN LSE 220A	M75 220A		X		REG	
		4-DR SEDAN LSE 220A REG	M75 220REG		X		DIFSC	
	MARAUDER	4-DR SEDAN 300A	M75	X			REG	
MINI	COOPER	2-DR HATCHBACK	MC	X				02 MODEL
		2-DR HATCHBACK SUPERCHARGED	MC S	X				02 MODEL
MITSUBISHI	DIAMANTE ECLIPSE	4-DR SEDAN VR-X	DM42-X	X				
		2-DR CONVERT SPYDER GTS 5-SP	EC28-X	X				
		2-DR CONVERT SPYDER GTS AUTO	EC28-X AUTO	X				
		3-DR COUPE GTS 5-SP	EC24-X	X				
		3-DR COUPE GTS AUTO	EC24-X AUTO	X				
			EC28-G	X		2-DR CONVERT SPYDER GT 5-SP	DIFSC	
NISSAN	350Z		EC28-G AUTO	X		2-DR CONVERT SPYDER GT AUTO	DIFSC	
		2-DR COUPE	5606	X				
		2-DR COUPE ENTHUSIAST 6-SP	5616	X				
		2-DR COUPE ENTHUSIAST AUTO	5611	X				



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MAKE	MODEL	BODY STYLE	MODEL CODE	YES	NO	BODY STYLE	COMMENT CODE	COMMENTS
NISSAN	350Z	2-DR COUPE PERFORMANCE	5626	X				
		2-DR COUPE TOURING 6-SP	5636	X				
		2-DR COUPE TOURING AUTO	5631	X				
		2-DR COUPE TRACK	5646	X				
	SENTRA	4-DR SEDAN GXE 5-SP CA	4285		X		REG	
		4-DR SEDAN GXE AUTO CA	4281		X		REG	
		4-DR SEDAN LTD AUTO	4231	X				
		4-DR SEDAN XE 5-SP CA	4275		X		REG	
		4-DR SEDAN XE AUTO CA	4271		X		REG	
PONTIAC	GRAND AM VIBE	4-DR SEDAN SE2	2NG69	X				
		4-DR SPORT WAGON	2SL26	X				
		4-DR SPORT WAGON AWD	2SM26	X				
		4-DR SPORT WAGON GT	2SN26	X				
PORSCHÉ	CARRERA		996210	X		2-DR TARGA 6-SP	TIMING	02 MODEL 9/6/01 INTRO
			996210 TIP	X		2-DR TARGA TIPTRONIC	TIMING	02 MODEL 9/6/01 INTRO
			996430	X		2-DR COUPE 4S AWD	TIMING	02 MODEL 9/6/01 INTRO
			996430 TIP	X		2-DR COUPE 4S AWD TIPTRONIC	TIMING	02 MODEL 9/6/01 INTRO
ROLLS ROYCE	BENTLEY	ARNAGE R	BENTLEY AR		X		DIFSC	
		ARNAGE RL	BENTLEY RL		X		DIFSC	
		ARNAGE T	BENTLEY AT		X		DIFSC	
SAAB	9.3 SERIES	2-DR CONVERTIBLE SE	352	X				
		4-DR SPORT SEDAN ARC	344	X				
		4-DR SPORT SEDAN LINEAR	304	X				
		4-DR SPORT SEDAN VECTOR	354	X				
SATURN	ION 1	4-DR SEDAN 5-SP	ZAF69	X				
		4-DR SEDAN AUTO	ZAG69	X				
	ION 2	4-DR SEDAN 5-SP	ZAZ69	X				
		4-DR SEDAN AUTO	ZAJ69	X				
	ION 3	4-DR SEDAN 5-SP	ZAK69	X				
		4-DR SEDAN AUTO	ZAL69	X				
SUBARU	IMPREZA	4-DR SEDAN WRX AWD W/SPLR 5-SP	JE		X		DIFSC	
		4-DR SEDAN WRX AWD W/SPLR AUTO	JF		X		DIFSC	
	LEGACY	4-DR SEDAN SPEC ED AWD 5-SP	AA	X				
		4-DR SEDAN SPEC ED AWD AUTO	AB		X		OP	
		5-DR WAGON SPEC ED AWD 5-SP	BA	X				
		5-DR WAGON SPEC ED AWD AUTO	BB		X		OP	
SUZUKI	AERIO	4-DR SPORT SEDAN GS 5-SP	STL83Q	X				
		4-DR SPORT SEDAN GS 5-SP W/ABS	STL83R	X				
		4-DR SPORT SEDAN GS AUTO	STL84Q	X				
		4-DR SPORT SEDAN GS AUTO AWD	STL85Q		X		OP	
		4-DR SPORT SEDAN GS AUTO W/ABS	STL84R	X				



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MAKE	MODEL	BODY STYLE	MODEL CODE	YES	NO	BODY STYLE	COMMENT CODE	COMMENTS
SUZUKI	AERIO	4-DR SPORT SEDAN GS AUTO W/AWD/ABS	STL85R		X		OP	
		4-DR SPORT S 5-SP	STL83T	X				
		4-DR SPORT SEDAN S 5-SP W/ABS	STL83U	X				
		4-DR SPORT SEDAN S AUTO	STL84T	X				
		4-DR SPORT SEDAN S AUTO W/ABS	STL84U	X				
		4-DR SPORT WAGON SX 5-SP	WTN83Q	X				
		4-DR SPORT WAGON SX 5-SP W/ABS	WTN83R	X				
		4-DR SPORT WAGON SX AUTO	WTN84Q	X				
		4-DR SPORT WAGON SX AUTO AWD	WTN85Q		X		OP	
		4-DR SPORT WAGON SX AUTO W/ABS	WTN84R	X				
		4-DR SPORT WAGON SX AUTO W/AWD/ABS	WTN85R		X		OP	
TOYOTA	COROLLA	4-DR SEDAN CE 5-SP	1801	X				
		4-DR SEDAN CE AUTO	1802	X				
		4-DR SEDAN LE 5-SP	1821	X				
		4-DR SEDAN LE AUTO	1822	X				
		4-DR SEDAN S 5-SP	1811	X				
		4-DR SEDAN S AUTO	1812	X				
	MATRIX	4-DR 2WD SPORT WAGON 5-SP	1901	X				
		4-DR 2WD SPORT WAGON AUTO	1902	X				
		4-DR 2WD SPORT WAGON XR 5-SP	1911	X				
		4-DR 2WD SPORT WAGON XR AUTO	1912	X				
		4-DR 2WD SPORT WAGON XRS 6-SP	1921	X				
		4-DR 2WD SPORT WAGON XRS AUTO	1922	X				
		4-DR 4WD SPORT WAGON LTD	1904	X				
		4-DR 4WD SPORT WAGON XR AUTO	1914	X				
	MR2 SPYDER		3237	X		2-DR CONVERTIBLE	DIFSC	4TH DIGIT CODE CHANGE
VOLKSWAGEN	GTI	2-DR HATCHBACK VR6 1.8 6-SP	9B1JN6	X				
		2-DR HATCHBACK VR6 2.8 6-SP	9B16W6	X				
	JETTA	4-DR SEDAN 1.8 5-SP WOLFSBERG EDITION	9M2WN4		X		DIFSC	
		4-DR SEDAN 1.8 5-SP WOLFSBERG EDITION TIP	9M2WN8		X		DIFSC	
		4-DR SEDAN GL 1.8 5-SP	9M24N4	X				
		4-DR SEDAN GL 1.8 TIP AUTO	9M24N8	X				
		4-DR WAGON GL 5-SP	1J64P4	X				
		4-DR WAGON GL TIP	1J64P8	X				
			9M25W6	X		4-DR SEDAN GLI 6-SP	TIMING	02 MODEL 7/1/01 INTRO
			9M27W8	X		4-DR SEDAN GLX TIP	TIMING	02 MODEL 9/15/01 INTRO
	NEW BEETLE		1C1SN4	X		3-DR HATCHBACK SPORT	DIFSC	
		2-DR CONVERTIBLE GL 2.0 5-SP	1Y74G4		X		TIMING	03 MODEL 11/1/02 INTRO
		2-DR CONVERTIBLE GL 2.0 AUTO TIP	1Y74GA		X		TIMING	03 MODEL 11/1/02 INTRO
		2-DR CONVERTIBLE GLS 1.8T 5-SP	1Y75N4		X		TIMING	03 MODEL 11/1/02 INTRO
		2-DR CONVERTIBLE GLS 1.8T AUTO TIP	1Y75NA		X		TIMING	03 MODEL 11/1/02 INTRO
		2-DR CONVERTIBLE GLS 2.0 5-SP	1Y75G4	X			TIMING	03 MODEL 11/1/02 INTRO
		2-DR CONVERTIBLE GLS 2.0 AUTO TIP	1Y75GA	X				
		2-DR CONVERTIBLE GLX 1.8T 5-SP	1Y76N4		X			
		2-DR CONVERTIBLE GLX 1.8T AUTO TIP	1Y76NA		X			
		2-DR COUPE GL 1.8 5-SP	1C14N4	X				
		2-DR COUPE GL 1.8 AUTO	1C14N3	X				
		2-DR COUPE GL 1.9 TDI 4-SP AUTO	1C1413	X				
		2-DR COUPE GL 1.9 TDI 5-SP	1C1414	X				
		2-DR COUPE TURBO S 1.8 6-SP	1C16N6	X				



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MAKE	MODEL	BODY STYLE	MODEL CODE	YES	NO	COMMENT CODE	COMMENTS
VOLKSWAGEN	PASSAT	4-DR SEDAN GL 1.8 5-SP	3B36K1	X			
		4-DR SEDAN GL 1.8 AUTO	3B36K5	X			
		4-DR SEDAN W8 4.0 4MOTION 6-SP	3B38V8	X			
		4-DR SEDAN W8 4.0 4MOTION TIP AUTO	3B38V9	X			
		5-DR WAGON GL 1.8 5-SP	3B66K1	X			
		5-DR WAGON GL 1.8 TIP AUTO	3B66K5	X			
		5-DR WAGON W8 4.0 4MOTION 6-SP	3B68V8		X		
		5-DR WAGON W8 4.0 4MOTION TIP AUTO	3B68V9		X	DIFSC DIFSC	
VOLVO	60 SERIES	S60 4-DR SEDAN 2.5T AWD AUTO	S60 2.5TAWDA	X			
	70 SERIES	V70 5-DR WAGON 2.5T AWD AUTO	V70 2.5TAWDA	X			
		XC70 5-DR WAGON 2.5T AWD AUTO	XC70 2.5TAWDA	X			



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MAKE	MODEL	BODY STYLE	MODEL CODE	YES	NO	BODY STYLE	COMMENT CODE	COMMENTS
		NEW LIGHT DUTY TRUCKS				NEW LIGHT DUTY TRUCKS		
ACURA	MDX	4-DR 4WD W/DVD AUTO	YD187	X				
		4-DR 4WD W/DVD/NAV AUTO	YD189	X				
BUICK	RENDEZVOUS		4BK76	X		4-DR 2WD SPORT UTILITY CXL	DIFSC	
CADILLAC	ESCALADE	4-DR SPORT UTILITY ESV	6K15906	X				
CHEVROLET	EXPRESS CARGO VAN	1500 CARGO VAN RWD	CG13405	X				
		2500 CARGO VAN RWD	CG23405	X				
		3500 CARGO VAN	CG33405	X				
		1500 CARGO VAN AWD	CH13405	X				
		2500 CARGO VAN AWD	CH23405	X				
		1500 CARGO VAN YF7 UPFITTER RWD	CG13405 YF7	X				
		2500 CARGO VAN YF7 UPFITTER RWD	CG23405 YF7	X				
		3500 CARGO VAN YF7 UPFITTER	CG33405 YF7	X				
		1500 CARGO VAN YF7 UPFITTER AWD	CH13405 YF7	X				
		2500 EXT CARGO VAN RWD	CG23705	X				
		3500 EXT CARGO VAN	CG33705	X				
		2500 EXT CARGO VAN YF7 UPFITTER RWD	CG23705 YF7	X				
		3500 EXT CARGO VAN YF7 UPFITTER	CG33705 YF7	X				
	EXPRESS CUTAWAY VAN	CUTAWAY VAN C6Y	CG33503		X		DIFSC	
		CUTAWAY VAN C7A	CG33503 C7A		X		DIFSC	
		CUTAWAY VAN C7A	CG33803		X		DIFSC	
		CUTAWAY VAN C7L	CG33803		X		DIFSC	
		CUTAWAY VAN C7LC7N	CG33803 C7L		X		DIFSC	
		CUTAWAY VAN C7LC7N	CG33903 C7L		X		DIFSC	
	EXPRESS PASSENGER VAN	2500 EXT PASSENGER VAN	CG23706		X			
		3500 EXT PASSENGER VAN	CG33706		X			
		1500 2WD PASSENGER VAN	CG13406		X			
		2500 PASSENGER VAN	CG23406		X			
		3500 PASSENGER VAN	CG33406		X			
		1500 PASSENGER VAN AWD	CH13406		X			
	S10 PICKUP		CS10803		X	2-DR 2WD REG CAB LS	DIFSC	
	SILVERADO	4WD EXT CAB F/S SS	CK15753 SS		X			
	TRAILBLAZER		CS15806		X	4-DR 2WD EXT SPORT UTILITY LT	TIMING	02 MODEL 12/21/01 INTRO
			CT15806		X	4-DR 4WD EXT SPORT UTILITY LT	TIMING	02 MODEL 12/21/01 INTRO
	VENTURE	4-DR EXT PASSENGER BASE 1SA	1UM16 1SA		X		DIFSC	
		4-DR EXT PASSENGER LT ENTERTAINER 1SG	1UM16 LTE		X			
		4-DR EXT PASSENGER Z10 CARGO 1SF	1UM16 Z10		X		DIFSC	
CHRYSLER	PT CRUISER	4-DR UTILITY GT	PTCX44		X			
					X	4-DR SPORT WAGON DREAM	DIFSC	02 MODEL
DODGE	DAKOTA	4X2 CLUB CAB R/T 131WB	AN1X31		X			
		4X2 REG CAB R/T 112WB	AN1X61		X			
	RAM PICKUP	2WD 1500 QUAD CAB SLT 140	DR1H41		X			
		2WD 1500 QUAD CAB SLT 160	DR1H42		X			
		2WD 1500 REG CAB SLT 120	DR1H61		X			



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MAKE	MODEL	BODY STYLE	MODEL CODE	YES	NO	BODY STYLE	COMMENT CODE	COMMENTS
DODGE	RAM PICKUP	2WD 1500 REG CAB SLT 140	DR1H62	X				
		2WD 2500 QUAD CAB SLT 139 HD	DR2H41	X				
		2WD 2500 QUAD CAB SLT 155 HD	DR2H42	X				
		2WD 2500 QUAD CAB ST 139 HD	DR2L41	X				
		2WD 2500 QUAD CAB ST 155 HD	DR2L42	X				
		2WD 2500 REG CAB SLT 135 HD	DR2H62	X				
		2WD 2500 REG CAB ST 135 HD	DR2L62		X			
		2WD 3500 QUAD CAB SLT 155 DRW HD	DR3H42	X			DIFSC	
		2WD 3500 QUAD CAB SLT 155 SRW HD	DR3H41	X				
		2WD 3500 QUAD CAB ST 155 DRW HD	DR3L42	X				
		2WD 3500 QUAD CAB ST 155 SRW HD	DR3L41	X				
		2WD 3500 REG CAB SLT 135 DRW	DR3H62	X				
		2WD 3500 REG CAB ST 135 DRW	DR3L62	X				
		4WD 1500 QUAD CAB SLT 140	DR6H41	X				
		4WD 1500 QUAD CAB SLT 160	DR6H42	X				
		4WD 1500 REG CAB SLT 120	DR6H61	X				
		4WD 1500 REG CAB SLT 140	DR6H62	X				
		4WD 2500 QUAD CAB SLT 139 HD	DR7H41	X				
		4WD 2500 QUAD CAB SLT 155 HD	DR7H42	X				
		4WD 2500 QUAD CAB ST 139 HD	DR7L41	X				
		4WD 2500 QUAD CAB ST 155 HD	DR7L42	X				
		4WD 2500 REG CAB SLT 135 HD	DR7H62	X				
		4WD 2500 REG CAB ST 135 HD	DR7L62		X			
		4WD 3500 QUAD CAB SLT 155 DRW HD	DR8H42	X			DIFSC	
		4WD 3500 QUAD CAB SLT 155 SRW HD	DR8H41	X				
		4WD 3500 QUAD CAB ST 155 DRW HD	DR8L42	X				
		4WD 3500 QUAD CAB ST 155 SRW HD	DR8L41	X				
		4WD 3500 REG CAB 140 HD	DR8H62	X				
		4WD 3500 REG CAB SLT 135 DRW	DR8L62 SLT	X				
		4WD 3500 REG CAB ST 135 DRW	DR8L62	X				
FORD	E SERIES		E24	X		E250 SUPER DUTY REG RV VAN	DIFSC	
			S24	X		E 250 SUPER DUTY EXT RV VAN	DIFSC	
			E14	X		E150 SUPER DUTY RV VAN	DIFSC	
	ESCAPE	4-DR 2WD XLS SPORT 111A	UO1 SP111	X				
		4-DR 2WD XLS SPORT 211A	UO2 SP211	X				
		4-DR 2WD XLT MIDNIGHT 330A	UO3 MDN	X				
		4-DR 2WD XLT SPORT 330	UO3 330	X				
		4-DR 4WD LTD 600A	U94 600A	X				
	EXCURSION	4-DR 4WD XLT MIDNIGHT 430A	UO4 MDN430	X				
		4-DR FWD LTD 500A	UO4 500A		X			
		4X2 6.8 XLT LIMO 800	U40 800		X		DIFSC	
		4X2 WAGON 6.0 EDDIE BAUER 326	U44 326	X				
		4X2 WAGON 6.0 LTD 351	U42 351	X				
		4X2 WAGON 6.0 XLT PREM 151	U40 151	X				
		4X2 WAGON 6.0 XLT SSV 921	U40 921	X				
		4X2 WAGON 6.0 XLT VAL 121	U40 121	X				
		4X2 WAGON EDDIE BAUER 305A	U44 305A	X				
		4X2 WAGON EDDIE BAUER 315A	U44 315A	X				
		4X2 WAGON EDDIE BAUER 325A	U44 325A	X				
		4X4 WAGON 6.0 LTD 431	U43 431	X				
		4X4 WAGON 6.0 XLT PREM 231	U41 231	X				
		4X4 WAGON 6.0 XLT SSV 941	U41 941	X				
		4X4 WAGON 6.0 XLT VAL 211	U41 211	X				

SUPERLIFO™ - NEW ITEMS LIST FOR CALENDAR YEAR 2002 DEALERS				IRS MOTOR VEHICLE INDUSTRY (DECEMBER, 2002 CALENDAR YEAR)		PAGE 10 OF 14	
MAKE	MODEL	BODY STYLE	MODEL CODE	YES NO	BODY STYLE	COMMENT CODE	COMMENTS
FORD	EXCURSION	4X4 WAGON EDDIE BAUER 405A	U45 405A	X			
		4X4 WAGON EDDIE BAUER 415A	U45 415A	X			
	EXPEDITION	4X4 WAGON EDDIE BAUER 6.0 416	U45 416	X			
		4-DR 2WD EDDIE BAUER 300A	U17 300A	X		DIFSC	
		4-DR 2WD EDDIE BAUER 310A	U17 310A	X			
		4-DR 2WD XLT POPULAR 110A	U15 110A	X			
		4-DR 2WD XLT POPULAR 130A	U15 130A	X			
		4-DR 2WD XLT PREMIUM 120A	U15 120A	X			
		4-DR 2WD XLT PREMIUM 140A	U15 140A	X			
		4-DR 2WD XLT SSV 910	U15 910	X			
		4-DR 2WD XLT SSV 920	U15 920	X			
		4-DR 2WD XLT VALUE 100A	U15 100A	X			
		4-DR 4WD EDDIE BAUER 400A	U18 400A	X			
		4-DR 4WD XLT FX4 240A	U16 240A	X			
		4-DR 4WD XLT POPULAR 210A	U16 210A	X			
		4-DR 4WD XLT POPULAR 230A	U16 230A	X			
		4-DR 4WD XLT PREMIUM 220A	U16 220A	X			
		4-DR 4WD XLT PREMIUM 250A	U16 250A	X			
		4-DR 4WD XLT SSV 930	U16 930	X			
		4-DR 4WD XLT VALUE 200A	U16 200A	X			
	EXPLORER	4-DR WAGON 2WD EDDIE BAUER 155A	U64 155	X		DIFSC	
		4-DR WAGON 2WD LTD 165A	U65 165	X			
		4-DR WAGON 2WD NBX 140A	U63 140	X			
		4-DR WAGON 2WD NBX 145A	U63 145	X			
		4-DR WAGON 2WD XLS SPORT 110A	U62 110	X			
		4-DR WAGON 2WD XLT 125A	U63 125	X			
		4-DR WAGON 2WD XLT SPORT 130A	U63 130	X			
		4-DR WAGON 2WD XLT SPORT 135A	U63 135	X			
		4-DR WAGON 4WD EDDIE BAUER 255A	U74 255	X			
		4-DR WAGON 4WD LTD 265A	U75 265	X			
		4-DR WAGON 4WD NBX 240A	U73 240	X			
		4-DR WAGON 4WD NBX 245A	U73 245	X			
		4-DR WAGON 4WD XLS SPORT 210A	U72 210	X			
		4-DR WAGON 4WD XLT 225A	U73 225	X			
		4-DR WAGON 4WD XLT 235A	U73 235	X			
		4-DR WAGON 4WD XLT SPORT 230A	U73 230	X			
		4-DR WAGON AWD EDDIE BUER 350A	U84 350	X			
		4-DR WAGON AWD EDDIE BAUER 355A	U84 355	X			
		4-DR WAGON AWD LTD 360A	U85 360	X			
		4-DR WAGON AWD LTD 365A	U85 365	X			
	EXPLORER SPORT	4-DR WAGON AWD XLS 300A	U82 300	X			
		4-DR WAGON AWD XLS SPORT 310A	U82 310	X			
		4-DR WAGON AWD XLT 320A	U83 320	X			
		4-DR WAGON AWD XLT 325A	U83 325	X			
		4-DR WAGON AWD XLT SPORT 330A	U83 330	X			
		4-DR WAGON AWD XLT SPORT 335A	U83 335	X			
			U62 100A	X	4-DR WAGON 2WD XLS 100A	DIFSC	
			U72 200A	X	4-DR WAGON 2WD XLS 200A	DIFSC	
			U67 110A	X			
			U60 110A	X			
			4X4 WAGON SPORT TRAC XLS 210A	X			
			4X4 WAGON SPORT XLS 210A	X			



SUPERLIFO™ - NEW ITEMS LIST FOR CALENDAR YEAR 2002 DEALERS				IRS MOTOR VEHICLE INDUSTRY (DECEMBER, 2002 CALENDAR YEAR)			PAGE 11 OF 14	
MAKE	MODEL	BODY STYLE	MODEL CODE	YES	NO	BODY STYLE	COMMENT CODE	COMMENTS
FORD	F150 PICKUP	4X2 SUPERCAB F/S KING RANCH SWB	W07	X		4X2 SUPERCREW CAB S/S HARLEY DAVIDSON	TIMING	02 MODEL 10/1/01 INTRO
		4X4 SUPERCAB F/S KING RANCH SWB	X07 KR	X				
	RANGER	2WD SUPERCAB EDGE 126WB 472	X08 KR	X				
		2WD SUPERCAB EDGE 126WB 372A	R14 472		X		DIFSC	
		4WD 4-DR SUPERCAB EDGE 126WB 354A	R14 372A	X				
		4WD REG CAB XL 118WB 309A	R44 E354A		X		DIFSC	
		4WD SUPERCAB XL 126WB 307A	R11 XL309A		X		DIFSC	
		4WD SUPERCAB XLT 126WB 395	R15 XL307A		X		DIFSC	
		4WD SUPERCAB XLT 126WB 493 (REG)	R15 XLT395		X		DIFSC	
		4WD SUPERCAB XLT VALUE 496	R45 XLT493		X		REG	
			R15 496	X			DIFSC	
GMC	ENVOY XL	2WD 4-DR SLE	TS15806 SLE	X				
		2WD 4-DR SLT	TS15806 SLT	X				
		4WD 4-DR SLE	TT15806 SLE	X				
		4WD 4-DR SLT	TT15806 SLT	X				
	SAVANA CARGO VAN	1500 CARGO VAN RWD	TG13405	X				
		2500 CARGO VAN RWD	TG23405	X				
		3500 CARGO VAN	TG33405	X				
		1500 CARGO VAN AWD	TH13405	X				
		2500 CARGO VAN AWD	TH23405	X				
		1500 CARGO VAN YF7 UPFITTER RWD	TG13405 YF7	X				
		2500 CARGO VAN YF7 UPFITTER RWD	TG23405 YF7	X				
		3500 CARGO VAN YF7 UPFITTER	TG33405 YF7	X				
		1500 CARGO VAN YF7 UPFITTER AWD	TH13405 YF7	X				
		2500 EXT CARGO VAN	TG23705	X				
		3500 EXT CARGO VAN	TG33705	X				
		2500 EXT CARGO VAN YF7	TG23705 YF7	X				
		3500 EXT CARGO VAN YF7 UPFITTER	TG33705 YF7	X				
	SAVANA CUTAWAY VAN	CUTAWAY VAN C6Y	TG33503		X		DIFSC	
		CUTAWAY VAN C7A	TG33503 C7A		X		DIFSC	
		CUTAWAY VAN C7A	TG33803		X		DIFSC	
		CUTAWAY VAN C7L	TG33503 C7L		X		DIFSC	
		CUTAWAY VAN C7L	TG33803 C7L		X		DIFSC	
		CUTAWAY VAN C7L	TG33903		X		DIFSC	
	SAVANA PASSENGER VAN	EXT PASSENGER VAN	TG23705	X				
		EXT PASSENGER VAN	TG33706	X				
		PASSENGER VAN	TG13406	X				
		PASSENGER VAN	TG23406	X				
		PASSENGER VAN	TG33406	X				
		PASSENGER VAN	TH13406	X				
	SIERRA HD	2WD 2500 REG CAB HD WORK TRK PKG	TC25903 WTHD		X		DIFSC	
		4WD 2500 REG CAB HD WORK TRK PKG	TK25903 WTHD		X		DIFSC	
	SIERRA	2WD 1500 EXT CAB WORK TRK PKG	TC15753 WT		X		DIFSC	
		2WD 1500 REG CAB WORK TRK PKG	TC15903 WT		X		DIFSC	
		2WD 1500 REG CAB WORK TRK PKG SLE	TC15703 WTSLE		X		DIFSC	
		2WD 2500 REG CAB WORK TRK PKG	TG25903 WT		X		DIFSC	
		2WD 3500 CREW CAB STANDARD	TC35943		X		DIFSC	
		4WD 1500 REG CAB WORK TRK PKG	TK15903 WT		X		DIFSC	
	SONOMA		TS10803	X		2WD REG CAB SL	DIFSC	
			TS10803	X		2WD REG CAB SLs	DIFSC	
HONDA	ELEMENT	2WD 5-DR DX 5-SP	YH172	X			TIMING	03 MODEL 12/19/02 INTRO
		2WD 5-DR DX AUTO	YH182	X			TIMING	03 MODEL 12/19/02 INTRO





SUPERLIFO™ - NEW ITEMS LIST FOR CALENDAR YEAR 2002 DEALERS				IRS MOTOR VEHICLE INDUSTRY (DECEMBER, 2002 CALENDAR YEAR)			PAGE 12 OF 14	
MAKE	MODEL	BODY STYLE	MODEL CODE	YES	NO	BODY STYLE	COMMENT CODE	COMMENTS
HONDA	ELEMENT	2WD 5-DR EX 5-SP	YH175		X			
		2WD 5-DR EX AUTO	YH185		X		TIMING	03 MODEL 12/19/02 INTRO
		4WD 5-DR DX AUTO	YH282		X		TIMING	03 MODEL 12/19/02 INTRO
	PILOT	4WD 5-DR EX AUTO	YH285		X		TIMING	03 MODEL 12/19/02 INTRO
		4WD 4-DR EX AUTO	YF184	X				
		4WD 4-DR EX-L AUTO W/LTHR	YF185	X				
		4WD 4-DR EX-L AUTO W/LTHR/DVD	YF186	X				
		4WD 4-DR EX-L AUTO W/LTHR/NAV	YF187	X				
		4WD 4-DR LX AUTO	YF181	X				
	HUMMER		HMCO	X		H1 4-DR 4WD OPEN TOP	DIFSC	
			HMCS	X		H1 4-DR 4WD	DIFSC	
		H2 4-DR 4WD	N25706	X				
ISUZU	ASCENDER	2WD 4-DR AUTO	H46		X		TIMING	03 MODEL 10/15/02 INTRO
		4WD 4-DR AUTO	N46		X		TIMING	03 MODEL 10/15/02 INTRO
JEEP	LIBERTY	4-DR 2WD RENEGADE	KJTM74	X				
		4-DR 4WD RENEGADE	KJJM74	X				
	WRANGLER	WRANGLER RUBICON	TJJS77	X				
KIA	SORENTO	2WD 4-DR EX AUTO	72242	X				
		2WD 4-DR LX AUTO	72222	X				
		4WD 4-DR EX AUTO	72442	X				
		4WD 4-DR LX AUTO	72422	X				
LAND ROVER/ RANGE ROVER	LAND ROVER DISCOVERY	4-DR UTILITY HSE	SDHS	X				
		4-DR UTILITY S	SDSD		X		DIFSC	
		4-DR UTILITY SE	SDSE		X		DIFSC	
		2-DR UTILITY SE	SE 2DR		X		DIFSC	
	RANGE ROVER	4WD 4.4 HSE	L322	X				
LEXUS	GX470	4-DR 4WD SPORT UTILITY	9700	X				
LINCOLN	AVIATOR	4-DR 2WD LUXURY 100A	U68	X				
		4-DR 2WD PREMIUM 110A	U68 PREM	X				
		4-DR AWD LUXURY 300A	U88	X				
		4-DR AWD PREMIUM 210A	U78	X				
	NAVIGATOR	4-DR 2WD LUXURY SUV 100A	U27 LUX	X				
		4-DR 2WD PREMIUM SUV 110A	U27 PREM	X				
		4-DR 2WD ULTIMATE SUV 120A	U27 ULT	X				
		4-DR 4WD LUXURY SUV 200A	U28 LUX	X				
		4-DR 4WD PREMIUM SUV 210A	U28 PREM	X				
		4-DR 4WD ULTIMATE SUV 220A	U28 ULT	X				
MAZDA	TRUCK	4X2 2-DR B2300 CAB PLUS SE 5-SP	B23C 2P	X				
		4X2 4-DR B3000 CAB PLUS SE 5-SP	B304 2P	X				



SUPERLIFO™ - NEW ITEMS LIST FOR CALENDAR YEAR 2002 DEALERS				IRS MOTOR VEHICLE INDUSTRY (DECEMBER, 2002 CALENDAR YEAR)		PAGE 13 OF 14	
MAKE	MODEL	BODY STYLE	MODEL CODE	YES	NO	COMMENT CODE	COMMENTS
MAZDA	TRUCK	4X2 4-DR B3000 CAB PLUS SE AUTO	B304 2A		X		
		4X4 2-DR B4000 CAB PLUS SE 5-SP	B400 XP	X		OP	
		4X4 2-DR B4000 CAB PLUS SE AUTO	B400 XA		X		
		4X4 B4000 CAB PLUS 5-SP	B40C XP	X		OP	
		4X4 B4000 CAB PLUS AUTO	B40C XA	X			
MERCEDES BENZ	G CLASS	G500 4-DR SPORT UTILITY AWD	G500		X		
		G55 AMG 4-DR UTILITY	G55 AMG	X		TIMING	02 MODEL 1/8/02 INTRO
	M CLASS	ML350 4-DR SPORT UTILITY	ML350	X			
			ML55 AMG	X		DIFSC	
MERCURY	MOUNTAINEER	4-DR WAGON 2WD CONV 4.6L 105A	U66 105A	X			
		4-DR WAGON 2WD LUX 4.0L 110A	U66 110A	X			
		4-DR WAGON 2WD LUX 4.6L 115A	U66 115A	X			
		4-DR WAGON 2WD PREM 4.0L 120A	U66 120A	X			
		4-DR WAGON 2WD PREM 4.6L 125A	U66 125A	X			
		4-DR WAGON AWD CONV 4.6L 305A	U86 305A	X			
		4-DR WAGON AWD LUX 4.0L 310A	U86 310A	X			
		4-DR WAGON AWD LUX 4.6L 315A	U86 315A	X			
		4-DR WAGON AWD PREM 4.0L 320A	U86 320A	X			
		4-DR WAGON AWD PREM 4.6L 325A	U86 325A	X			
MITSUBISHI	MONTERO OUTLANDER	4-DR 20TH ANNIVERSARY EDITION	MP45-F	X			
		4-DR 2WD LS	OT45-B	X			
		4-DR 2WD XLS	OT45-K	X			
		4-DR AWD LS	OT45-G	X			
		4-DR AWD XLS	OT45-P	X			
NISSAN	FRONTIER PU	4WD CC SC VALUE ED AUTO LWB	8391	X			
		4WD CC SC VALUE ED AUTO SWB	8391	X			
		4WD KC SC VALUE ED 5-SP	4395	X			
		4WD KC SC VALUE ED AUTO	4391	X			
	MURANO	4-DR 2WD SE	1731	X			
		4-DR 2WD SL	1741	X			
		4-DR AWD SE	1771	X			
		4-DR AWD SL	1781	X			
PONTIAC	MONTANA	4-DR MINIVAN EXT WB W/1SV	2UM16 1SV	X			
PORSCHÉ	CAYENNE	CAYENNE S	CAY S		X		
		CAYENNE TURBO	CAY T		X	DIFSC DIFSC	
SATURN	VUE	4-DR 2WD SPORT UTILITY V6 AUTO	ZLR26	X			
SUBARU	BAJA FORESTER	4-DR SPORT UTILITY AWD 5-SP	PA	X			
		4-DR SPORT UTILITY AWD AUTO	PB		X	OP	
		4-DR X AWD 5-SP	CA		X	DIFSC	
		4-DR X AWD AUTO	CB		X	DIFSC	
		4-DR XS AWD 5-SP	CC		X	DIFSC	
		4-DR XS AWD AUTO	CD		X	DIFSC	
		4-DR XS W/PREM PKG 5-SP	CE		X	DIFSC	
		4-DR XS W/PREM PKG AUTO	CF		X	DIFSC	



SUPERLIFO™ - NEW ITEMS LIST FOR CALENDAR YEAR 2002 DEALERS				IRS MOTOR VEHICLE INDUSTRY (DECEMBER, 2002 CALENDAR YEAR)			PAGE 14 OF 14	
MAKE	MODEL	BODY STYLE	MODEL CODE	YES	NO	BODY STYLE	COMMENT CODE	COMMENTS
SUBARU	FORESTER	4-DR XS W/PREM PKG/LTH AUTO	CG		X		DIFSC	
SUZUKI	GRAND VITARA		LJN86T3	X		4-DR 4WD HARD TOP 5-SP	DIFSC	6TH DIGIT CODE CHANGE
	XL-7	2WD TOURING AUTO W/3RD ROW	LJN89T3	X		4-DR 4WD HARD TOP AUTO	DIFSC	6TH DIGIT CODE CHANGE
		2WD TOURING 5-SP W/3RD ROW	LVR82F		X		TIMING	03 MODEL 11/1/02 INTRO
		4WD TOURING 5-SP W/3RD ROW	LVR81F		X		TIMING	03 MODEL 11/1/02 INTRO
		4WD TOURING AUTO W/3RD ROW	LWR81T		X		TIMING	03 MODEL 11/1/02 INTRO
			LWR82T		X			
TOYOTA	4RUNNER	2WD 4-DR LTD V6	8648		X			
		2WD 4-DR SPORT V6	8646		X		DIFSC	
		2WD 4-DR SPORT V8	8676		X		DIFSC	
		2WD 4-DR SR5 V6	8642		X			
		2WD 4-DR SR5 V8	8672		X		DIFSC	
		2WD 4-DR V8 LTD	8678		X			
		4WD 4-DR LTD V6	8668		X			
		4WD 4-DR SPORT V6	8666		X		DIFSC	
		4WD 4-DR SPORT V8	8686		X		DIFSC	
		4WD 4-DR SR5 V6	8664		X			
		4WD 4-DR SR5 V8	8682		X		DIFSC	
		4WD 4-DR V8 LTD	8688		X			
	TUNDRA	2WD ACCESS CAB LTD SS V8 AUTO	7736		X			
		2WD ACCESS CAB SS SR5 V8 AUTO	7726		X			
		4WD ACCESS CAB LTD SS V8 AUTO	7836		X			
		4WD ACCESS CAB SS SR5 V8 AUTO	7826		X			
VOLVO	90 SERIES	XC90 T8 AUTO W/SR/AWD	XC90 T8 ASRAWD		X			
		XC90 2.5T AUTO AWD	XC90 2.5TA		X			
			XC90 2.6TAFWD		X	XC90 2.5T AUTO FWD	TIMING	03 MODEL 1/27/03 INTRO

#### #4. IRS RELAXES RULES FOR SOME CHANGES WITHIN THE IPIC LIFO METHOD.

In LIFO Update #5 (December 2002 *LIFO Lookout*), we discussed the problematic language that appears in Revenue Procedure 2002-9. This language (referred to as the "5-year prior change scope limitation,") prevents a taxpayer from being eligible to make an **automatic** change in accounting method if certain LIFO changes had been made within the past 5 years. This prior discussion involved auto dealers using LIFO for used vehicle inventories who may have changed to the Alternative Used Vehicle Method in a recent year.

Section 4.02(6) of Revenue Procedure 2002-9 includes the *5-year prior change scope limitation*. It states that the automatic consent procedures may not be used if the taxpayer, within the last 5 taxable years—including the year of change—has made a change in the same method of accounting (with or without obtaining the Commissioner's consent) or has applied to change the same method of accounting without effecting the change.

More recently, in Revenue Procedure 2003-45, the IRS has relaxed this limitation for certain LIFO taxpayers who are using the Bureau of Labor Statistics/IPIC Method who find themselves required to make certain changes in their LIFO procedures. These relaxed rules will apply only in circumstances involving (1) changes in single miscellaneous goods IPIC pools and/or (2) changes in representative months for IPIC purposes.

**Changes in single miscellaneous goods IPIC pools.** IPIC taxpayers are required every three years to re-evaluate their compliance with various 5% IPIC pooling requirements for miscellaneous items. Rev. Proc. 2003-45 waives the 5-year prior change scope limitation in Rev. Proc. 2002-9 (thus allowing an automatic change) for these IPIC taxpayers if they are required to make necessary changes in the composition of their miscellaneous items pool.

The Service said it believed that the 5-year prior change scope limitation in Section 4.02(6) of Rev. Proc. 2002-9 should not apply to prevent IPIC LIFO taxpayers from using the automatic consent procedures to obtain the Commissioner's consent to make the periodic pool changes required to comply with the 5% rules under Reg. Secs. 1.472-8(b)(4) and -8(c)(2).

**Changes in representative month for IPIC purposes.** The other situation in which the 5-year prior change scope limitation will be waived is where the IPIC taxpayer is required to change its representative month because the taxpayer has changed its taxable year. This change in taxable year may be a change made voluntarily by the taxpayer. Or, in other cases, a change in taxable year may be required by the enactment of a new Code Section or the finalization of a regulation. If the change in representative month for IPIC purposes is necessitated by a change in the taxpayer's taxable year, the 5-year prior change scope limitation in Rev. Proc. 2002-9 will not apply.

Generally, these new rules will be effective for taxable years ending on or after Dec. 31, 2002. \*

The *De Filippis' LIFO Lookout* newsletter is a quarterly publication of LIFO News, Views and Ideas by Willard J. De Filippis, CPA, P.C., 317 West Prospect Avenue, Mt. Prospect, IL 60056. It is intended to provide accurate, general information on LIFO matters and it should not be construed as offering accounting or legal advice or accounting or legal opinion on any specific facts or circumstances. The contents are intended for general information purposes only. Readers should consult their certified public accountant, attorney and/or other competent advisors to discuss their own situations and specific LIFO questions. Mechanical or electronic reproduction or photocopying is prohibited without permission of the publisher. Annual subscription: \$395. Back issues available for \$70 each. Not assignable without consent. Any quoted material must be attributed to *De Filippis' LIFO Lookout* published by Willard J. De Filippis, CPA, P.C. Editorial comments and article suggestions are welcome and should be directed to Willard J. De Filippis at (847) 577-3977; FAX (847) 577-1073. INTERNET: <http://www.defilippis.com>. © Copyright 2003 Willard J. De Filippis. *De Filippis' LIFO Lookout* format designed by *Publish or Perish, Inc.* (630) 627-7227.

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