THE HORN

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PRESIDENT'S MESSAGE

With the holiday season upon us, it is the perfect time to look forward to 2015 and exert the effort to make it a successful year. Randy Lisk and I have met to prepare for the new year and we need your help. Let's make 2015 not only a good year for you and your company, but let's make this an unforgettable year for your association. Don't hesitate to call Rita or Randy with questions you may have or to obtain quotes on various products/supplies/services available through AAACT.

Let me now take this opportunity, on behalf of the Board of Directors and Staff, to wish you a Merry Christmas and a Prosperous New Year!! You can reach me at (704) 824-9079.

Sincerely,
Ralph Dickson III, AAACT President

INDUSTRY NEWS

Record $9 Billion DIFM Product Growth: 2013-2015

"The car and light truck Service (DIFM) Market in the U.S. will climb a record $9 billion in product sales at user-price during 2013 through 2015 (three years), creating a massive $11 billion product shift among the seven major types of repair outlets. Service Stations and Garages will combine with Repair Specialists to generate 55% of DIFM product growth from 2013 through 2015, greater than their average total DIFM product share during this period. Foreign Specialists and Vehicle Dealers will also create strong DIFM product growth share over these three years." *-- Jim Lang*

Record DIFM Light Vehicle Growth. The projected $9 billion increase in DIFM car and light truck products in the U.S. from 2013 through 2015 at user-price will be the largest three-year DIFM product gain in light vehicle aftermarket history and will create a record $11 billion product shift among DIFM outlets.

Reasons for DIFM Record Product Growth. The record $9 billion increase in DIFM light vehicle products will be generated by two factors: strong light vehicle aftermarket product growth based on a changing vehicle population, and a continued expansion of DIFM car and light truck product share in the U.S. The $9 billion DIFM product gain will not be evenly distributed among the seven major service outlet groups.

Two Outlets Will Generate 55% of DIFM Growth. Car and light truck product growth will be concentrated among two outlet groups from 2013 through 2015. Service Stations and Garages will combine with Repair Specialists to generate at least 55% of total light vehicle DIFM product expansion.

Service Stations and Garages. Service Stations and Garages will create the largest DIFM product growth share from 2013 through 2015, an estimated 29%, stronger than their average annual light vehicle DIFM product share.

Repair Specialists. Focusing on a limited range of repair and maintenance jobs, Repair Specialists will generate 26% of DIFM product growth, the second biggest driver of car and light truck DIFM product expansion.

Vehicle Dealers Hit DIFM Rebound. After suffering significant DIFM annual product decline between 2007 and 2013 (totaling over $2 billion), Dealers turned the DIFM corner in 2013, boosting their bay product sales over $400 million for the year. Lang Marketing projects even stronger Dealer annual bay product growth in 2014 and 2015. Dealers will rank third in generating DIFM product growth during 2013 through 2015, an estimated 18%.

Foreign Specialists. Foreign Specialists (outlets concentrating on the repair and maintenance of foreign nameplate cars and light trucks) will rank fourth in DIFM product growth share between 2013 and 2015, an estimated 13%, significantly greater than their average car and light truck product share. Foreign Specialists will achieve the strongest DIFM annual product growth rate over these three years.

Other Outlets. Tire Stores will rank fifth in light vehicle DIFM product growth share between 2013 and 2015, an estimated 9%, less than their average DIFM product share during these three years. Discount Stores / Mass Merchandisers with bays will account for the fifth largest DIFM product growth share from 2013 through 2015, an estimated 5%.

Offsetting Product Decline. Auto Parts Stores with bays will sink over $1.5 billion in car and light truck DIFM products during 2013 through 2015 at user-price, mostly offsetting the combined DIFM growth of Discount Stores / Mass Merchandisers and Tire Dealers.

Six Major Takeaways:

1. The estimated $9 billion increase in car and light truck DIFM products at user-price from 2013 through 2015 will create an $11 billion product shift among the seven major groups of car and light truck repair outlets.
2. The $9 billion DIFM product increase and $11 billion outlet product shift over these three years will be light vehicle aftermarket records.
3. Service Stations and Garages will combine with Repair Specialists to create 55% of DIFM product sales at user-price between 2013 and 2015.
4. Service Stations and Garages will generate the largest share of DIFM product growth (29%) followed by Repair Specialists (26%).
5. Dealers will produce an estimated 18% of the record $9 billion increase in DIFM car and light truck product sales between 2013 and 2015.
6. Foreign Specialists will rank fourth in DIFM product growth share between 2013 and 2015 (16%), while achieving the highest average annual increase in DIFM light vehicle product sales.

(Source: The Lang Aftermarket Report - 11/25/14)

INSURANCE NEWS

Key Provisions under the Affordable Care Act for Employers with Fewer Than 25 Employees

Implementation of the Affordable Care Act (ACA) occurs in stages, with many of the reforms and requirements taking effect in 2014. The ACA has a timeline provided by the U.S. Department of Health and Human Services that includes the next steps you can take to implement the provisions. Some of the provisions that may impact employers with fewer than 25 employees include:

- **Small Business Health Care Tax Credit.** The Small Business Tax Credit helps small businesses afford the cost of providing health care coverage for their employees and is specifically targeted for those businesses with low- and moderate-income workers. **Businesses that (1) have fewer than 25 full-time equivalent employees; (2) pay average annual wages below $50,000 (indexed annually for inflation); and (3) contribute a uniform 50% or more toward employees' self-only health insurance premiums may qualify for the small business tax credit of up to 35% (25% for tax-exempt employers) to help offset the costs of insurance.** In 2014, this tax credit goes up to 50% (35% for tax-exempt) and is available to qualified small employers that participate in the Health Insurance Marketplace for small employers known as Small Business Health Options Program (SHOP). Eligible small employers can claim the credit for 2010 through 2013 and still claim the enhanced credit for any two consecutive taxable years beginning in 2014. Businesses that have already filed and later find that they qualified in 2013 or an earlier year can still claim the credit by filing an amended return for the affected years. You can use the Small Business Tax Credit Calculator to see if your firm may qualify, and if it does, how much credit it could be worth to you. For more information on the small business health care tax credit, refer to IRS's FAQs.
- **Small Business Health Options Program (SHOP).** Open for enrollment year-round, small employers with up to 50 full-time equivalent (FTE) employees have access to the new Health Insurance Marketplace through the Small Business Health Options Program (SHOP). Currently, small business pays on average 18% more than larger businesses for health insurance. The SHOP Marketplace offers small employers increased purchasing power to obtain a better choice of high-quality coverage at a lower cost. Costs are lowered because small employers can pool their risk. To purchase coverage in SHOP, eligible employers must have: (1) at least one common law employee; (2) offer SHOP coverage to all of their full-time employees; and (3) meet minimum participation rates. If you are a self-employed business owner with no employees, you would not be eligible to purchase coverage through SHOP, but you can buy coverage in the individual Marketplace. HHS also has a Call Center hotline that specifically serves small employers interested in SHOP: 800-706-7893, Monday through Friday, 9 am to 7 pm EST.
- **Employer Notice to Employees of the New Health Insurance Marketplace.** Under the Affordable Care Act, employers covered by the Fair Labor Standards Act (generally, those firms that have at least one employee and at least $500,000 in annual dollar volume of business), must
  - provide notification to their employees about the new health insurance Marketplace;
  - inform employees that they may be eligible for a premium tax credit if they purchase coverage through the Marketplace; and
  - advise employees that if they purchase a plan through the Marketplace, they may lose the employer contribution (if any) to any health benefits plan offered by the employer.

  Employers are required to provide this notice to all current employees by October 1, 2013, and to each new employee at the time of hire beginning October 1, 2013, regardless of plan enrollment status (if applicable) or of part-time or full-time status. The Department of Labor has provided employers with two sample notices they may use to comply with this rule, one for employers who do not offer a health plan and another for employers who offer a health plan for some or all employees. For more information, refer to DOL's Technical Guidance.
- **Summary of Benefits and Coverage (SBCs) Disclosure Rules.** Employers are required to provide employees with a standard "Summary of Benefits and Coverage (SBC)" form explaining what their plan covers and what it costs. The purpose of the SBC form is to help employees better understand and evaluate their health insurance options. Penalties may be imposed for non-compliance. For more information, visit http://www.dol.gov/ebsa/healthreform/regulations/summaryofbenefits.html.
- **Medical Loss Ratio Rebates.** Under the ACA, insurance companies must spend at least 80% of premium dollars on medical care rather than administrative costs. Insurers who do not meet this ratio are required to provide rebates to their policyholders, which is typically an employer who provides a group health plan. Employers who receive these premium rebates must determine whether the rebates constitute plan assets. If treated as a plan asset, employers have discretion to determine a reasonable

and fair allocation of the rebate. For more information on the federal tax treatment of Medical Loss Ratio rebates, refer to IRS's FAQs.

- **Limits on Flexible Spending Account Contributions.** For plan years beginning on or after January 2013, the maximum amount an employee may elect to contribute to health care flexible spending arrangements (FSAs) for any year will be capped at $2500, subject to cost-of-living adjustments. Note that the limit only applies to elective employee contributions and does not extend to employer contributions. To learn more about FSA Contributions, as well as what is excluded from the cap, refer to content by the IRS.
- **Additional Medicare Withholding on Wages.** Effective January 1, 2013, ACA increased the employee portion of the Medicare Part-A Hospital Insurance (HI) withholdings by .9% (from 1.45% to 2.35%) on employees with incomes of over $200,000 for single filers and $250,000 for married joint filers. It is the employer's obligation to withhold this additional tax, which applies only to wages in excess of these thresholds. The employer portion of the tax will remain unchanged at 1.45%.
- **New Medicare Assessment on Net Investment Income.** Effective January 1, 2013, a 3.8% tax was assessed on net investment income such as taxable capital gains, dividends, rents, royalties, and interest for taxpayers with Modified Adjusted Gross Income (MAGI) over $200,000 for single filers and $250,000 for married joint filers. Common types of income that are not investment income are wages, unemployment compensation, operating income from a non-passive business, Social Security Benefits, alimony, tax-exempt interest, and self-employment income.
- **90-Day Maximum Waiting Period.** Beginning January 1, 2014, individuals who are eligible for employer-provided health coverage will not have to wait more than 90 days to begin coverage. HHS, IRS, and the Department of Labor have issued final rules on how employers should apply the 90-day rule.
- **Transitional Reinsurance Program Fees.** The Transitional Reinsurance Program is a three-year program, beginning in 2014 and continuing until 2016, that reimburses insurers in the individual insurance Marketplaces for high claims costs. The program is funded through fees to be paid by employers (for self-insured plans) and insurers (for insured plans). HHS estimates that the fees for 2014 and 2015 will be $5.25/month (or $63.00/year) for each individual covered under a health care plan, with the required fee for the following two years to be somewhat lower. The fee applies to all employer-sponsored plans providing major medical coverage, including retiree programs. The U.S. Department of Labor has advised that for self-insured plans, these fees can be paid from plan assets. The IRS has stated that the fees are tax deductible for employers.
- **Workplace Wellness Programs.** The ACA creates new incentives to promote employer wellness programs and encourage employers to take more opportunities to support healthier workplaces. Health-contingent wellness programs generally require individuals to meet a specific standard related to their health to obtain a reward, such as programs that provide a reward to employees who don't use, or decrease their use of, tobacco, and programs that reward employees who achieve a specified level or lower cholesterol. Under final rules that took effect on January 1, 2014, the maximum reward to employers using a health-contingent wellness program increased from 20% to 30% of the cost of health coverage. Additionally, the maximum reward for programs designed to prevent or reduce tobacco use is as much as 50%. The final rules also allow for flexibility in the types of wellness programs employers can offer. For more information, visit DOL.gov.
- **Information Reporting on Health Coverage by Self-Insured Employers.** Beginning in 2015, the ACA provides for new information reporting by employers that sponsor self-insured plans. (Section 6055 rules). Separate reporting requirements apply to those employers that have 50 or more full time or full-time equivalent employees. (Section 6056 rules). Under Section 6055 rules, self-funded employers, issuers, and other parties that provide health coverage must submit new reports to the IRS detailing information for each covered individual. The first of these reports must be filed in early 2016. On March 5, 2014, the U.S. Department of Treasury issued Final Regulations that provide further guidance about these requirements.

http://www.sba.gov/healthcare/

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Hodges Insurance Agency: Medical Insurance

The AAACT would like to welcome a returning vendor to help everyone negotiate the complicated medical insurance and employee benefits market. Hodges Insurance Agency of Louisburg (NC) will be offering their 25 years of experience and market knowledge to all AAACT members. Hodges Insurance Agency will be happy to help companies of all sizes review medical plans and offer competitive options to manage costs. Hodges Insurance Agency is also a certified marketplace intermediary helping individuals navigate the federal health insurance exchange and obtain premium subsidies. Please call Chris, Traci or Bryan at Hodges Insurance Agency at 1-800-257-3803 or email Chris Perdue at chris@hodgesinsurance.com.

MANAGEMENT NOTES

Credit Card Fraud Liability Shifts to Merchants

In the coming months, most new credit and debit cards will come embedded with a microchip that helps prevent counterfeit fraud. Next year, some fraud liability will shift from users to merchants who haven't upgraded their terminals. We ask Visa Consumer Products Executive Kim Lawrence what the change means for you.

Why are EMV chip cards the best option for businesses today?
Businesses that upgrade their terminals are investing in security. Effective October 1, 2015, any business that is chip-enabled is protected from counterfeit fraud transactions affiliated with the major payment brands. If they choose not to invest in chip technology, the business will be financially responsible for counterfeit fraud conducted in their stores.

How do these cards change what occurs during a sales transaction?
Chip technology generates a unique code with every transaction. This code makes it much more difficult for a criminal to use account information if stolen. All a business needs is a terminal that can communicate with the new chip cards.

Many countries have already transitioned to EMV cards. How has that impacted rates of credit card fraud in those places?
Countries that have transitioned to EMV chip cards including those in Europe, Asia, Latin America and the Middle East, saw a dramatic decrease in counterfeit fraud.

Could you offer a couple of examples on each end of the spectrum that illustrate what businesses have to do to support chip processing?
U.S. merchants are not required to adopt chip technology, but we think it's a smart choice to protect their businesses from counterfeit fraud. Many businesses may already have a terminal with a slot for chip card acceptance, but it may not be activated. In that scenario, the merchant will need a minor software download from its processor. Other businesses may need new terminals. Chip enablement could range in cost from nothing for software activation to a few hundred dollars for a new terminal.

What will factor into the cost of transitioning for a small business?
The most important factors will be the hardware and/or software to enable chip acceptance, followed by the potential cost of counterfeit fraud if businesses don't upgrade. Business owners should contact their acquiring financial institution or processor to learn more about chip technology.

A Javelin Strategy and Research study predicted that small retailers will not exceed 25% readiness for EMV by the 2015 milestone. Why?
This was an early forecast, but in other countries, small businesses lagged larger retailers during the migration process. Reasons vary depending on the country, but Visa is committed to ensuring small business owners understand that updating their payment technology is an investment in more secure transactions and business-building opportunities. *(Courtesy of NFIB)*

NOTE: Call Jackie Inscore, CoCard, for a comparison to your current program . . . . . 919-418-4676.

AAACT NEWS

2015 AAACT Convention

The Automotive Aftermarket Association of the Carolinas and Tennessee (AAACT) is pleased to announce that the 2015 annual convention will be held at Harrah's Cherokee Casino Resort in Cherokee, NC, September 10-13,2015. The weekend will be filled with education and fun. Convention Chair Sandy Crews, Jacksonville, NC will release final details in an upcoming issue of "The Horn".

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Kittrell Auto Parts - 50th Anniversary

It all began in 1964, Roy and Walter Kittrell joined Sam Griffin and Thurman Bailey in a leap of faith. At the time, they were selling auto parts from the back of a pick-up truck and then from a station wagon.

On March 12, 1964, Kittrell Auto Parts opened at 1103 Evans St., Morehead City, NC with a $35,000 inventory. After Mr. Griffin's death in 1975, Roy and Walter purchased his and Mr. Bailey's shares of the business. They built Kittrell Auto Parts of Beaufort at 1403 Live Oak St. in 1976.

In 1978, a new Morehead location was built at 4106 Arendell St. By 1979, the Kittrell brothers purchased stores owned by MacMillan & Cameron in New Bern, Jacksonville and Lumberton. Jacksonville and Lumberton were later sold, and a Havelock location was opened in 1980 when they purchased R&R Auto Parts from Roger Mills.

In 1993, they sold the New Bern store to Rich Mather. In 2004, Kittrell Auto Parts merged with Carquest, the Beaufort location was expanded and the Havelock store moved to its current location at 1012 E. Main St. Then, in 2008, Buddy Kittrell and Chuck Hutson became Co-owners of Cape Carteret Carquest.

Through the years, the Kittrell children (Robert, Gray, Jeanne and Buddy) have all worked in the family business. Now, Buddy is the general manager; Roy and Walter are enjoying semi-retirement; and Roy's grandchildren, Wesley and Sarah, are continuing the family tradition.

Kittrell's still has locations in Morehead City, Beaufort, Havelock and Cape Carteret. Blessed by humble beginnings, thankful for each employee over the years, and proud to be the only locally owned and operated auto parts stores in Carteret and Craven counties, Kittrell Auto Parts strives to be the first choice in auto parts and customer service.

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2015 Vacation Schedules

For many years, your Association has provided Vacation Schedules for members. Your 2015 copy is enclosed. We have a few additional copies available upon request.

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AAACT Office Holiday Schedule

The AAACT office will be closed the following days during the upcoming holiday season:

- **Christmas** – Thursday, December 25th and Friday, December 26th.
- **New Years** – Thursday, January 1, 2015.

MERRY CHRISTMAS!!!

Randy Lisk, Executive Vice President
and
Rita Wieskamp, Member Services Coordinator