

Northeast

DEALER

The Newsletter of NORTHEAST EQUIPMENT DEALERS ASSOCIATION, INC.

www.ne-equip.com

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CASE IH 'FINALIZED' SSA REMINISCENT OF AUTOMAKERS' AFTER 2009 BANKRUPTCIES

Case IH presented its "finalized" version of its Sales and Service Agreement (SSA) on Nov. 9, 2015, according to Matthew Larsgaard, president/CEO of the North Dakota Implement Dealers Assn.

In a special NDIDA report issued to its members earlier this month, Larsgaard, who is also the president and CEO of the Automobile Dealers Assn. of North Dakota, says the new agreement reminds him of the action that some of the automakers took after filing for bankruptcy following the 2009 business downturn.



"The bankruptcies caused the franchise agreements that dealers had with manufacturers to become null and void. The 'new' Chrysler and GM that emerged were 'free and clear of all claims' and obligations, including their contracts with dealers," says Larsgaard. "Both companies then proceeded to collectively

terminate thousands of dealers. In fact, the termination process was so unreasonable and unfair that our U.S. Congress had to step in and pass legislation in an attempt to reinstate some of those dealers that were wrongfully terminated."

In the report, Larsgaard points out that, "Following the bankruptcies, the manufacturers developed new franchise agreements that were completely one-sided and entirely unfair. They were take-it or leave-it arrangements under which dealers had no choice but to sign the contracts or not be a dealer.

"With this in mind, one of the manufacturers developed a contract that attempted to force dealers to waive all of their rights under their respective state laws ... then the manufacturer believed that dealers would have no rights and no choice but to sign the agreement."

Larsgaard goes on to cite several specific demands in the automakers' new dealer agreement and suggests that in many respects, the new Case IH SSA is similar in nature. These include the following:

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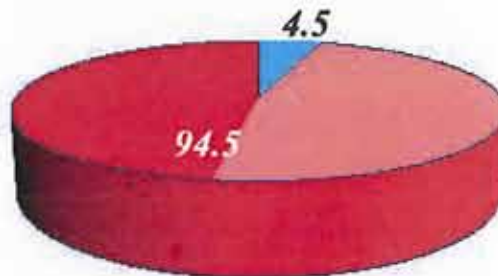
<u>Policy Year</u>	<u>Dividend</u>
2012-2013	15%
2011-2012	5.0%
2010-2011	20.0%
2009-2010	25.0%
2008-2009	37.5%
2007-2008	20.0%
2006-2007	35.0%
2005-2006	37.5%
2004-2005	25.0%
2003-2004	32.5%



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Observations **FIELD** from the



Tim Wentz
Field Director
717.576.6794

Funny how things change!

Back in the "old" days, I specifically remember one of my Econ Professors talking about gasoline (oil) prices and their effect on the US Economy: namely, that falling gasoline prices increased disposable income and as such acted as a "free stimulus" for the nation's economy. While I've heard a few reporters talking positively about falling prices at the pump, by far the vast majority of their reports blame recent stock market declines, the weather and virtually everything else that they can think of on

falling oil prices! All while ignoring the fact that there is positive news to report, with the reports of Automobile companies on record Truck and SUV sales making up just one example.

Personally, I don't believe falling oil prices are "the problem". That's not to say that everything is "peachy"! It's not! The fact that the European Central Bank and Japan have adopted "negative" interest rate policies are just two examples of the significant challenges ahead. Who'd have thought of such an idea! What are they thinking and, more importantly, what aren't they telling us?

The passage of Section 179 and Compact Tractor sales were definitely bright spots for Northeast Equipment dealers in 2015. It's difficult to tell exactly what impacts the slowdown in the Chinese economy and corresponding volatility in the Chinese and the world's stock market will have on commodity values, interest rates and the US and global economies in general, much less equipment sales in the Northeast. That said, I think that those dealers who are able to focus on the fundamentals (Parts, Service, CRM and Inventory Management) will do well in 2016.

On the legislative front, we have received positive feedback regarding our work to amend Vermont's Equipment Dealer Law (S.224) as a direct result of dealers making the commitment to actively engage and participate in the legislative process. The process has a long way to go, and we will need everyone's help and continuing participation moving forward, but it is rewarding to see how effective dealers can be if we talk with one voice and carry a strong message!

The New Hampshire Supreme Court issued its ruling on the Manufacturers argument against SB 126 on constitutional grounds, and has denied their request for a "stay" pending appeal to the US Supreme Court. We are still trying to work through the effect of the court's decision on the implementation of SB 126, and will get that information out to the dealer network as soon as we have it.

Although we are making good progress, moving PA legislation forward continues to be a challenge. The failure to enact a full budget, combined with distraction over fall re-election campaigns and the "grandstanding" that comes with them seems to be all consuming in the political realm, making forward

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News

NEDA and Haylor, Freyer, & Coon, Inc. Partner Together to Announce Expanded Carrier Options and Employee Benefit Services

NEDA, in partnership with HF&C, are excited to offer our members a variety of competitive Medical, Dental, Vision, Life/AD&D, Short-Term Disability, Long-term Disability, Voluntary Employee paid plans, along with other products, to complete your benefits management needs. Whether it be compliance, insurance policies, or a benefits administration platform to help you better manage your business, we can provide you with the expert solutions to meet your needs—so you can focus on your business

NEDA & HF&C are committed in offering solutions for your unique employee benefit needs, as well as, help answer any questions you may currently have with your existing program.

Don't delay! Contact HF&C today at 1-800-289-1501 - or email: Dan Elliott, Group Benefits Consultant = delliott@haylor.com or Lauren Marecek, Manager of Group Benefits Consulting = lmarecek@haylor.com See additional information at: <https://www.ne-equip.org/wp-content/uploads/2016/01/NEDA-Services-Flyer-110915.pdf>.

Observations

continued from page 3

progress on other issues even more difficult than "normal". To be sure, the manufacturers haven't let down their guard and are continuing to spend heavily on lobbyists and their PAC's (political action committees). All are working hard to divide and conquer among dealers.

As has been demonstrated in Maine and New Hampshire, **"When we work together as an Equipment Dealer Association, we can achieve what individuals could not: the ability to attain our mutual goals."** It goes without saying that the more voices we have, the more successful we'll be!

**When you REAP the benefits of membership
your PROFITS will follow!**

Share Your Dealership News With Us

NEDA is interested in stories about members getting involved in their communities, supporting charities or otherwise doing good deeds.

Please contact Dave Close or Art Smith, Editor of the monthly newsletter: Dave at 800-932-0607, davec@ne-equip.com or Art Smith at ajssja@embarqmail.com.

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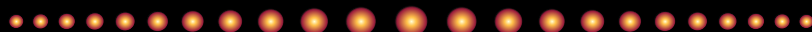
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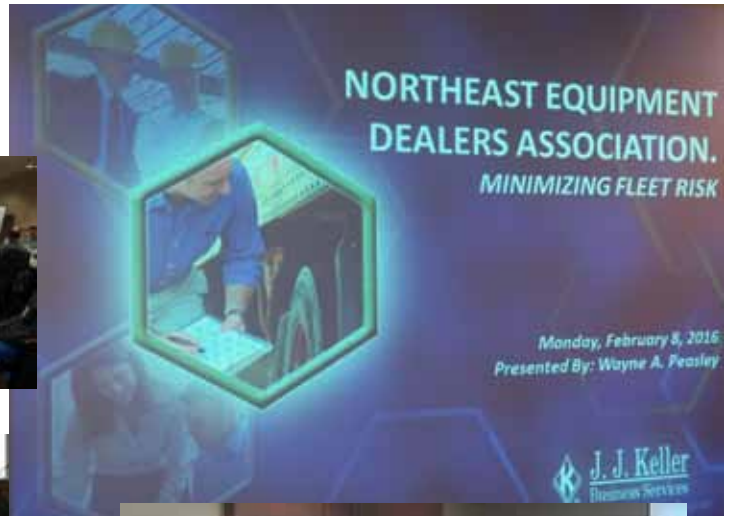


JOHN DEERE



The regional meetings recently conducted were well attended.

Pictures include Lancaster, PA, Liverpool, NY and Concord, NH meetings.



CASE IH 'FINALIZED' SSA continued from page 1

MARKET SHARE REQUIREMENTS

The manufacturer declared that it would determine the annual number of vehicles that dealers must sell in order to fulfill sales expectations. (Compare to Section 9.1(a) of the Case IH SSA.)

INVENTORY STOCKING REQUIREMENTS

Upon manufacturer request, dealers were required to order and accept any number of vehicles required to fulfill factory sales expectations. (Compare to Section 8.1, 8.2, 19.1 of the Case IH SSA.)

EXCLUSIVITY

The manufacturer demanded that dealers abandon any other franchise they had with another manufacturer and maintain exclusive, stand-alone facilities for their brand alone. (Compare to Section 8.3, 9.2 of the Case IH SSA.)

CONSENT TO JURISDICTION

The manufacturer stripped dealers of the option to seek judicial remedy in their home state. (Compare to Section 32.2 of the Case IH SSA.)

AT WHIM REQUIREMENTS

Very simply, the manufacturer required dealers to comply with any future "subsequently published guidelines" as they pertained to any aspect of dealership operations ... period. (Compare to Section 27.2 of the Case IH SSA.)

PREMISES REQUIREMENTS

The manufacturer retained the ability to force

dealers to move their facilities and/or to conduct substantial renovations to their dealerships in order to be compliant with the manufacturer's "image programs." This included the requirement to follow the manufacturer's strict remodeling guidelines with zero promise of any financial assistance.

ETC.

The contract also stated that if dealers were unable to comply with any of those demands, even through no fault of their own, the manufacturer could immediately terminate them. (Compare to Section 27.3 of the Case IH SSA.)

Larsgaard adds, "It is important to understand that every single one of those demands would have violated North Dakota state law. However, the manufacturer knew that dealers really had no choice but to sign the agreement.

He says he described in some detail to explain the events that took place immediately following the bankruptcies for two reasons:

1. To give dealers a clear indication of how one giant, out-of-state auto manufacturer attempted to impose unreasonable/illegal demands upon dealers.

2. To reconfirm the need for strong state franchise laws to protect dealers from unfair business practices. Larsgaard says in 1991, the ND legislature created the manufacturer "prohibited acts" section within North Dakota state law. They recognized the need to protect North Dakota farm equipment dealers and their employees, and ensure that there is a baseline of fairness in dealers' contracts with manufacturers.

He adds that one of the protections built into North Dakota's "prohibited acts" section of a 1991 state law prevents manufacturers from demanding that dealers maintain exclusive facilities. "That provision alone saved 21% of North Dakota's automobile dealerships from closing their doors during the 2009 auto manufacturers' bankruptcy process," says Larsgaard.

~ AEI

Larsgaard's full report is available on the North Dakota Implement Dealers Assn. website (www.ndida.com) or calling 701-293-6822. NEDA works closely with the North Dakota Implement Dealers Association (NDIDA) and 'United Equipment Dealers Association (UEDA)' on issues affecting Equipment Dealers to help 'Level the Playing Field between Equipment Dealers and their Manufactures and other Suppliers'.



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News

Hooper Inc. Opens New Mifflintown, PA Facility

Hooper Inc., an agricultural equipment dealer with nine locations in Pennsylvania, Delaware, Maryland and Virginia recently moved its dealership in McAlisterville, PA, to a larger facility in Mifflintown, PA.

Located at 43 Industrial Circle, it's a 72,000 square foot facility. The distance between the McAlisterville location and the new dealership is only seven miles, but the benefits for customers and the dealership are significant, according to Brad Hershey, store manager at Mifflintown. Larger shop space to accommodate larger equipment is a big benefit to customers as is the dealership's easy access.

"Being where we are now on Route 322 makes our location very convenient for our customers and so far the reaction we've received has been very positive," said Hershey. "I know they are pleased we've invested in the community and that we've invested in central Pennsylvania because they understand that we're here to stay."

"There has been an IH or Case IH dealership in McAlisterville since 1939. We planned the parts move to take place in two days and accessed parts from other Hooper Inc. locations during that time. Our service department started moving the week before and had most of their service bays set up before the parts move. Now we have space we can grow into. We were pleased we were able to find an empty building and to avoid going through new construction.

Editor's Note: Hooper Inc. was named the Most Valuable Dealership for 2016 by *Precision Farming Dealer*. Read the full Most Valuable Dealership article on Hooper Inc. in the Winter 2016 issue of *Precision Farming Dealer*. See more at: <http://www.precisionfarmingdealer.com/articles/1948-hooper-inc-opens-new-mifflintown-pa-facility#sthash.pxNvSjZu.dpuf>



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Your Association is involved in State Legislation Sessions, identifying and tracking all bills affecting equipment dealers and or/are relative to our industry. Legislative reports are shared with members.

Dealer-Manufacturer Relations



NEDA works with EDA and other affiliate associations across North America to work with equipment manufacturers, distributors, and other suppliers to address new Manufacturer Dealer Agreements including other industry topics to help resolve dealer issues.

Trade-In and Flat Rate Guides



NEDA members receive special pricing on trade-in guides for agricultural, construction, outdoor power equipment and power sports as well as Flat Rate Time Guide for Agricultural Tractors and Combines and the Outdoor Power Equipment Flat Rate Time Guide.

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Your Association's recommended providers offer the best business insurance and OSHA consulting programs.

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Your Association maintains relationships with various attorneys and consultants to help members address employment, labor law issues, dealer contract issues, customer relations, OSHA compliance, workplace safety issues, environmental issues, etc.

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NEDA offers you forms and supplies specific to equipment dealers. Count on a wide selection, competitive pricing and great service! Please call us.

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NEDA, in partnership with Haylor, Freyer & Coon Health Group, provides equipment dealers and their employees with comprehensive, quality and affordable Health, Disability and Dental Insurance coverage you can trust.

Government Relations & Compliance



We represent Equipment dealers' interest in the Northeast Equipment Industry concerning Government Relations. Keeping you informed of issues affecting you is our primary responsibility.

Cost of Doing Business, Wages Survey



Annual Cost of Doing Business Survey along with the Wages and Benefit Survey provide data which allow dealers to compare their dealership operating results with averages of other Northeast Dealerships including all dealerships in North America.

NEDA Hotline/Website



NEDA's website is a "hub" for dealer members and provides instant access to online dealer information and a database with a wealth of information. You can also use our 1-800-932-0607 hotline to call for immediate assistance.

Forklift Training – Train the Trainer



NEDA staff provides ONE (1) forklift safety training & certification course at your dealership for all staff personnel operating your forklift(s). Eligible staff must be 18 years of age or older with valid driver's license for certification.

Annual Regional Meetings



Annual regional meetings are conducted in various locations convenient to your dealership each year to interact with dealer principals and employees concerning various operational and marketing strategies relevant to your business.

Stolen Equipment – Call us Immediately!



NEDA along with National Equipment Register (NER) provides stolen equipment alerts that go out across North America to law enforcement and other equipment dealers.

LET US PROVE THAT MEMBERSHIP DOESN'T COST . . . IT PAYS!

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Regulations continue to be a large burden like OSHA, Trucking, Health Mandates, Data Security/Privacy, Retail Financing, etc. NEDA is here to help take the mystery of these burdens away from you, so you can continue to run your daily business operations.

FORM 1095 – EMPLOYEE COMMUNICATIONS

Many employers want to provide some type of communication along with, or before, the distribution of Form 1095s to relevant employees. Although any employee communication must be tailored to meet the employer's specific circumstances, some general concepts are addressed here that can be adjusted as appropriate to help employees understand why Form 1095s are being provided, what type of information they provide, and how they are to be used.

BACKGROUND

Reporting of plan and coverage information using Forms 1094 and 1095 is required to provide the IRS with the information necessary to administer and regulate the following:

- **Individual Mandate** – Individuals are required to be enrolled in minimum essential coverage (a "MEC" plan) for all months during the year to avoid potential penalties under the individual mandate unless they meet a specified exemption.
- **Employer Mandate** – Applicable large employers (ALEs), those with 50 or more full-time equivalents (FTEs), are required to offer full-time employees and their dependent children minimum value, affordable coverage to avoid potential penalties under Section 4980H (aka the "employer mandate").
- **Individual eligibility for a tax credit/subsidy through a public Exchange or Marketplace** – Individuals who choose to enroll through a public Exchange or Marketplace may qualify for a tax credit/subsidy to help pay for such coverage if the individual is not enrolled in a MEC plan or is not eligible for employer-sponsored affordable, minimum value coverage and meets certain household income requirements.

All providers of an MEC plan (e.g. insurance carrier or employer sponsoring a self-funded plan) are required to report on any individuals covered under such plan.

In addition, all ALEs are required to report offer of coverage information for any employees who were full-time for any month during the year.

Form 1094 and all associated Form 1095s must be reported to the IRS and a copy of Form 1095 (or an alternative statement) must be provided to all full-time employees and any covered individuals.

IMPORTANT INFORMATION TO ADDRESS IN EMPLOYEE COMMUNICATIONS

◆ Affordable Care Act (ACA) Requirements

- Individuals are required to be enrolled in minimum essential coverage (an "MEC" plan) for all months during the year to avoid potential penalties under the individual mandate unless they meet a specified exemption. Individuals will need to indicate whether or not they were enrolled in MEC for all 12 months when filing their personal tax returns.

- Individuals who are enrolled in individual coverage through a public Exchange or Marketplace may not qualify for a tax credit/subsidy if they are enrolled in an MEC plan or are eligible for affordable, minimum value employer-sponsored coverage. For individuals who were provided with such a tax credit/subsidy, but were ineligible for any part of the year, any applicable reconciliation will be handled on the personal tax return.

◆ Form Descriptions

- For small employers (less than 50 FTEs) offering a fully-insured MEC plan:
 - Anyone actually enrolled in the employer's medical plan will receive a Form 1095-B from the insurance carrier indicating any months of coverage for the employee and any covered dependents.
 - For small employers (less than 50 FTEs) offering a self-funded MEC plan:
 - Anyone actually enrolled in the employer's medical plan will receive a Form 1095-B from the employer (or third-party vendor hired by the employer to provide the forms) indicating any months of coverage for the employee and any covered dependents.
- For ALEs (50 or more FTEs) offering a fully-insured MEC plan:
 - All full-time employees, whether they enroll in the plan or not, will receive a Form 1095-C from the employer (or third-party vendor hired by the employer to provide the forms) indicating whether or not the employee was offered a plan that met both minimum value and affordability requirements.
 - In addition, anyone actually enrolled in the employer's medical plan will receive a Form 1095-B from the insurance carrier indicating any months of coverage for the employee and any covered dependents.

Note – employees who are both full-time and enrolled in the employer's medical plan will receive both Form 1095-B from the insurance company and Form 1095-C from the employer.

- For ALEs (50 or more FTEs) offering a self-funded MEC plan:
 - All full-time employees, as well as anyone actually enrolled in the employer's medical plan, will receive a Form 1095-C from the employer (or third-party vendor hired by the employer to provide the forms) indicating (a) whether or not the employee was offered a plan that met both minimum value and affordability requirements; and (b) any months of coverage for the employee and any covered dependents.

continued on page 14

Understanding the Small Business Health Care Tax Credit

The Affordable Care Act includes the small business health care tax credit, which can benefit small employers who provide health coverage for their employees.

The small business health care tax credit benefits employers who:

- have fewer than 25 full-time equivalent employees
- pay an average wage of less than \$51,600 a year
- pay at least half of employee health insurance premiums

Here are some facts that will help you understand this tax credit and how it may affect your small business or tax-exempt organization:

- Credit percentage is 50 percent of employer-paid premiums; for tax-exempt employers, the percentage is 35 percent.
- Small employers may claim the credit for only two consecutive taxable years beginning in tax year 2014 and beyond.
- For 2015, the credit is phased out beginning when average wages equal \$25,800 and is fully phased out when average wages exceed \$51,600. The average wage phase out is adjusted annually for inflation.
- Generally, small employers are required to purchase a Qualified Health Plan from a Small Business Health Options Program Marketplace to be eligible to claim the credit. Transition relief from this requirement is available to certain small employers.

Small employers may still be eligible to claim the tax credit for tax years prior to 2014. Employers who were eligible to claim this credit for prior years – but did not do so – may consider if they are still eligible to amend prior year returns in order to claim the credit.

Gathering the following information will assist you in completing Form 8941, Credit for Small employer Health Insurance Premiums.

- SHOP QHP documentation or letter of eligibility from SHOP, unless transition relief applies
- Numbers of full-time and part-time employees and numbers of hours worked
- Average annual wages for employees
- Employer premiums paid per employee, if applicable
- Relevant K-1s and other pass-through credit information
- Cost of coverage for each employee
- Payroll tax liability – for tax-exempt organizations only
- Pass-through credit info – for K-1s of other small employers

For more information about the Affordable Care Act visit IRS.gov/aca.

ACA and Employers: How Seasonal Workers Affect Your ALE Status

When determining if your organization is an applicable large employer – which is also known as an ALE – you must measure your workforce by counting all your employees. However, there is an exception for seasonal workers.

If an employer's workforce exceeds 50 full-time employees for 120 days or fewer during a calendar year, and the employees in excess of 50 who were employed during that period of no more than 120 days were seasonal workers, the employer is not considered an applicable large employer.

A seasonal worker for this purpose is an employee who performs labor or services on a seasonal basis. For example, retail workers employed exclusively during holiday seasons are seasonal workers.

The terms seasonal worker and seasonal employee are both used in the employer shared responsibility provisions, but in two different contexts. Only the term seasonal worker is relevant for determining whether an employer is an applicable large employer subject to the employer shared responsibility provisions. For this purpose, employers may apply a reasonable, good faith interpretation of the term "seasonal worker."

To learn more about this topic and about when the definition of a seasonal employee is applicable, see our Questions and Answers page.

See the Determining if an Employer is an Applicable Large Employer page on IRS.gov/aca for details about counting full-time and full-time equivalent employees.

SERVICE

THE DEALERSHIP'S LAST PROFITABLE FRONTIER!

BY JOHN WALKER

President, After Market Services Consulting Co., Inc. – 817 Stockbridge Drive, #399, Ft. Mill, SC 29708 • Cell 918-230-0791
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(This is the second of a two-part article. Part one appeared in the February NE Dealer.)

Plan your labor rate increases. Why not consider something simple like a \$2.95 an hour increase every six months? Sound reasonable? Many equipment dealers raise their labor rate only every three years. It is far better to do it on a quarterly or semi-annual basis than it is to make a \$15 to \$20 dollar increase after five years of no increases and after suffering a tremendous loss of profitability over those years.

Whether your dealership is a million dollar operation or a multi-million dollar operation, the ideal situation involving the seven changes mentioned is that in all of the seven changes, additional expenses can be kept to a minimum. By doing the additional profitability drops to the "bottom-line" of the dealer's financial statement.

Very few changes in a typical equipment dealership can have this overall dramatic effect upon any dealership's profitability!

Can these changes be made painlessly and without a whole lot of additional effort? Certainly not! The changes will require dedication and commitment right from the top. The changes will also require a truly professional service manager, a manager capable of planning the details and achieving results.

So what would be the results if all of the seven areas

Plan your labor rate increases. Why not consider something simple like a \$2.95 an hour increase every six months? Sound reasonable? Many equipment dealers raise their labor rate only every three years. It is far better to do it on a quarterly or semi-annual basis than it is to make a \$15 to \$20 dollar increase after five years of no increases . . .

of improvement were accomplished? Our readers total dealership sales will run from a relative small outdoor power operation with a million dollars in sales to an equipment mega dealership of over \$500 million in sales. Do the math on your own dealership's financial statement and observe the results.

If your dealership last year had total sales of \$10,622,648 and service accounted for 6.8% of your total sales, service sales would be \$722,340. If your gross profit were 45%, you would have gross profit dollars of: \$325,053. If you increased service sales by a mere 10% of total dealership sales, you would have service sales of \$1,062,264. If at the same time, you pushed your overall margins up to 50%, you would then have a service gross profit in dollars of \$531,132 or an increase of \$206,079 in gross profit dollars. That is certainly one method of improving your shop's profitability.

Let us assume the same dealer had 12 technicians working 8 hours a day, 5.5 days a week, times 52 weeks a year, this gives the dealer 27,456 paid out hours a year. Multiply this by the dealer's \$45.00 hour labor rate and we have an ideal potential service billing of \$1,235,520 versus his original service sales (from the financial statement) of \$722,340 which equals a 58% Service Billing Efficiency.

Assume this service department raised their Billing Efficiency by 5% to 63%, while at the same time raising their labor rate by \$5.00. Now what happens on the same amount of total billable hours: 27,456?

27,456 multiplied by the new labor rate of \$50.00 gives the dealer potential labor sales of \$1,372,800. The new billing efficiency is 63% and therefore, the department through improved efficiency and an increased labor rate has increased service sales to \$864,864, or an overall increase of \$142,524.

These are simple financial exercises to illustrate the typical equipment dealer's potential service opportunity. Your dealership can, and should, eventually accomplish all seven steps, but as you can see from the two examples, achieving three or four of the objectives or a combination of the objectives can be extremely profitable for any operation.

Become a pioneer in the next century. Head out for the new frontier and increase your profitability accordingly. It certainly can be accomplished if the commitment is made. Things that do not change will remain the same!

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FORM 1095 continued from page 10

USING 2015 INFORMATION WHEN FILING PERSONAL TAXES

Individuals will use Form 1095-B and/or C as documentation that they were enrolled in minimum essential coverage (MEC) to comply with the individual mandate and whether or not the individual was eligible for a tax subsidy if enrolled through a public Exchange.

- Information regarding coverage and subsidy eligibility is needed to complete an individual's personal tax return, but the Form 1095 does not need to be submitted with the personal tax return. Copies of 1095s will be provided to the IRS by the employer (or third-party vendor) or insurance carrier as applicable.
- Individuals should keep copies of 1095s on file to verify offer and coverage information in case an audit is conducted in the future.

Also note that due to the extension of the reporting deadlines for 2016, employees may not receive a Form 1095 prior to filing their personal tax returns. Since Form 1095 is not actually required for an individual to file their personal tax return, this shouldn't delay the filing of personal tax returns.

If Form 1095 is not available at the time the individual is preparing the personal tax return, the individual may request the information from the insurance carrier or employer. The IRS indicated in Notice 2016-4 that for the

2015 tax year, individuals who do not receive a Form 1095 prior to filing their tax returns may rely on other sources of information (e.g. from the employer or insurance carrier) for these purposes and will not be required to file an amended return if they subsequently receive a Form 1095 containing different information.

SUMMARY

Employers may be able to avoid some of the confusion and proactively answer employee questions by providing some type of employee communication in regard to the Form 1095s that will be provided to individuals for the first time early in 2016. The information provided here is meant to provide some general information that may be adjusted to match the employer's situation.

More detailed information in regard to employer reporting requirements can be found in our employer reporting guide found here: http://benefitcomply.com/wp-content/uploads/2016/01/BenefitComplyEmployerReportingGuide_Dec2015_2.pdf

Specific information about 2016 extended deadlines may be found here: (<http://benefitcomply.com/%E2%80%A2-compliance-alert-irs-extends-deadline-for-employer-aca-reporting>)

*~Submitted by Mike Herrera
Benefits Consultant at Haylor, Freyer & Coon, Inc.
1-800-289-1501, ext. 2216*

OSHA NEWS

OSHA Has New Webpage on Requirements to MAINTAIN CLEAN AND ACCESSIBLE RESTROOMS

OSHA has a new webpage explaining employers' obligations to provide all workers with sanitary and immediately-available toilet facilities. OSHA's sanitation standards are intended to ensure that workers do not suffer adverse health effects that can result if toilets are not sanitary and/or are not available when needed.

The webpage includes information on the minimum number of toilet facilities an employer must provide, in restrooms separate for each sex. The webpage also includes a link to OSHA's recent best practices publication, A Guide to Restroom Access for Transgender Workers*.

(<https://www.osha.gov/Publications/OSHA3795.pdf>)



WORKPLACE SAFETY OSHA COMPLIANCE



SCHEDULE NOW **WORKPLACE SAFETY AND OSHA COMPLIANCE ASSESSMENT OPPORTUNITY**

The workplace safety and OSHA compliance assessment will be conducted by a qualified and experienced safety professional. The assessment will include several elements including a review of existing policies and procedures, a two hour employee safety orientation meeting, training on the new Globally Harmonized System (GHS), and a "mock" OSHA inspection. In addition, the facility will receive an Injury and Illness Prevention Plan, safety talks, and program specific procedures that can be used to enhance your existing safety management system. The workplace will be assessed to OSHA's General Industry standards (29 CFR 1910).

Who Must Be in Compliance with OSHA? Any business with one (1) or more employees.

When is the Deadline? The assessment should be conducted within a reasonable time frame to avoid any citations and penalties that could be assigned as a result of an OSHA inspection.

What are the Penalties for non-compliance? The OSHA penalties can range from \$1,000 to \$7,000 per violation...and up to \$70,000 for repeat or willful violations.

Who conducts the Safety Compliance Assessment? The one day on-site workplace safety and OSHA compliance assessment will be conducted by a qualified and experienced safety consultant.

What will I have to do? Complete questionnaire, collect written safety program documents, spend one day with the safety consultant, and schedule employees for a safety orientation meeting. The safety awareness meeting will be divided into 2 separate sessions so that all employees can participate without business interruption.

Why Should I Have Assessment Conducted? Maintain OSHA compliance, reduce the frequency and severity of injuries and illnesses, avoid Code Rule 59 inspections, reduce workers compensation costs, and prevent costly OSHA penalties.

Service Menu – What You Get To Bring You Up To Current Standards

1. Injury and Illness Prevention Plan (I2P2)
 - ✓ Safety Management System "Roadmap"
 - ✓ Cost = \$750 (approximately 30 page document)
2. Two (2) Employee Safety "Orientation" Meetings
 - ✓ Topics To Be Determined Based on Operations
 - ✓ Cost = \$250 per 2-hour meeting...plus travel time/expenses
3. Four (4) Program Specific Procedures
 - ✓ Topics To Be Determined Based on Operations
 - ✓ Cost = \$150 per procedure
4. Emergency Action Plan Documents
 - ✓ Written Plan, Evacuation Map, Safety Talk
 - ✓ Cost = \$750...plus travel time/expenses
5. Hazard Communication Training
 - ✓ Globally Harmonized System – due 12/1/13
 - ✓ Cost = \$250 per 2-hour training...plus travel time/expenses
6. Prepare Training Tracking Spreadsheet
 - ✓ Excel format with name, topics, and due dates
 - ✓ Cost = \$125
7. On-Site "Mock" OSHA Inspection
 - ✓ Checklist Format with Summary of Observations
 - ✓ Cost = \$1,000...plus travel time/expenses
8. Six (6) One Page Safety Toolbox Talks
 - ✓ Topics To Be Determined Based on Operations
 - ✓ Cost = \$125 per safety talk

Complete Program Cost = \$1,900.00 (plus travel time/expenses)

- ✓ The program cost includes all eight (8) program elements listed above, a 3-ring binder that contains all documents, and an electronic copy of the documents developed
- ✓ Specific menu items can be completed for the pricing listed
- ✓ For dealerships with multiple locations an additional \$500 will be charged to conduct the "Mock" OSHA inspection per additional location.

Optional Services – Outside of the Complete Program Cost

1. Program Specific Training
 - ✓ \$500 per 4-hour training...plus travel time/expenses
2. Conduct Job Hazard Analysis (JHA)
 - ✓ \$500 per JHA

TO SCHEDULE YOUR ASSESSMENT

Please contact Dave Close at davec@ne-equip.com or by telephone at (800) 932-0607.

HOW TO BUILD YOUR SELLING CONFIDENCE

In my article two months ago, I mentioned that any time the subject of relationships comes up and I ask how important they are in the overall sales and business process, I usually get the answer that they are the most important part. I think we all know that the more a prospect or customer likes us, the more likely they are to do business with us regardless of most other factors and in fact, a prospect will buy a higher-priced, inferior product from someone they like versus someone they don't.

Make no mistake, building solid relationships takes time, effort, energy, and money and that's precisely why most people continue to cop out with price and other excuses when they lose a sale as opposed to building the relationships necessary to retain customers and get new ones. That said, if you do decide you'd like to do the hard work upfront in order to hang on to customers long-term, this article will give you the information to gather and use with each customer.

You won't gather and use this information on all your customers. Ideally you'll be doing this to build relationships with the top 20% of customers that give you 80% of your business. In addition, you will be gathering and using this information on other good customers such as those giving you the most referrals. The goal is to reach out to these customers 14-18 times per year with a variety of methods, such as: birthday, holiday, and anniversary cards, thank-you notes, in-person calls, phone calls, e-mail (assuming they have agreed to be on your e-mail list), regular mail in which you can send hard-copy newsletters, gifts, and other items of interest, and via customer appreciation events.

While it's not likely that you'll get all this information from everyone, the more information you have about each customer and the better you know them, the better your relationship will most likely be. Specifically, you want to know about your best customers' family, their hobbies and interests, and their history. Here is an outline of the information you're looking for:

- 1) Name:
- 2) Title:
- 3) Company:
- 4) Address:
- 5) Phone number:
- 6) Fax number:
- 7) Cell phone number:
- 8) Home phone number:
- 9) E-mail address:
- 10) Birth date: (month and day)
- 11) Where they live now:
- 12) Where they grew up:

13) Where they went to school (high school, college, other): a) What degrees they have: b) If college, what was their major:

14) Activities they were involved in growing up (sports, clubs, student government, fraternities, sororities, etc.):

15) Military service, and at what level:

16) What, if anything, do you know about their political or religious beliefs?

17) What subjects do they like to talk about and what, if any, subjects should you avoid:

18) Where they were employed previously:

19) What activities are they involved in now (sports, clubs, groups, trade associations, travel, hobbies):

19a) What is their level of involvement and proficiency (are they on a board of directors, are they an instructor, scratch golfer, etc.):

20) Are they related or connected to anyone else you know (someone's sister, cousin, close friend, etc.):

21) What do they consider their most significant accomplishment(s)?

22) Do they plan on retiring some day, and what would they like to do:

23) Where they vacation also, where would they like to vacation:

24) Married, single, divorced: a) If married now, how long: b) Anniversary date: c) spouse's name and birthday: d) spouse's occupation: e) spouse's interests:

25) Children: a) Names, ages, and birthdays: b) Are they involved in any activities, and what are they:

26) Other information you've gathered on the customer. Examples: • Have they had knee surgery? • Do they have diabetes? • Did they go to an Aerosmith concert last year? • Have they climbed Mt. Fuji? • Have they run the Boston Marathon? • Do they have a famous uncle, aunt, cousin, etc.? • Is their son the wrestling champion in the state of Iowa?

27) Did they give you some information on family members that doesn't fall into the categories listed above?

28) What other personal information will help you understand and relate better with your customer?

Once you have this information, again, use it. Ultimately you are looking to make customers both loyal customers as well as good friends. The more of this information you have, and the more you use it, the less likely it is that someone will leave you or buy from someone else.

John Chapin is a sales and motivational speaker and trainer. For his free newsletter, go to: www.completeselling.com John has over 27 years of sales experience as a number one sales rep and is the author of the 2010 sales book of the year: *Sales Encyclopedia*. The most comprehensive "how-to" guide on selling. Contact him at 508-243-7359 or johnchapin@completeselling.com.

Fastline Publications Rebrands as Fastline Media Group

Fastline Publications, LLC, publisher of *Fastline*, *Fastline de Mexico*, *Big Ag* and *Pink Tractor* has changed its corporate name to Fastline Media Group, LLC to better reflect the evolution of its print, digital and online content offerings including custom marketing solutions that serve the agriculture industry.



FASTLINE
MEDIA GROUP

Fastline, *Fastline de Mexico*, *Big Ag* and *Pink Tractor* each target specific audiences within the agriculture industry. Within that portfolio of brands, Fastline Media Group offers a full-suite of marketing products including online banner ads, listings, direct mail, inserts, catalogs, video packages and other innovative marketing solutions – all to help the agriculture industry succeed.

“Fastline Media Group is committed to delivering what the farmers want, directly to their homes or businesses – either digitally or through the United States Postal Service,” says Bill Howard, CEO/Founder. Fastline Media Group’s rebranding efforts include a new corporate logo and website, www.FastlineMediaGroup.com.

Designed as a portal for advertising agencies, manufacturers and farm equipment dealers to learn about the Fastline Media Group’s growing range of brands, www.FastlineMediaGroup.com provides detailed information about *Fastline*, *Fastline de Mexico*, *Big Ag* and *Pink Tractor* including demographics, distribution and publishing schedules. *Fastline Media Group’s 2016 Media Kit* is available for download. A single, cohesive website to better distinguish its portfolio of brands was launched with advertisers in mind.

To learn more about Fastline Media Group, its sales force and home office employees visit www.FastlineMediaGroup.com/About.

OMEDA, MAERA Merge to Form United Equipment Dealers Association

The members of the Ohio-Michigan Equipment Dealers Assn. (OMEDA) and Mid-America Equipment Retailers Assn. (MAERA) have voted to merge effective Jan. 1, 2016.

The newly formed association will be called the United Equipment Dealers Assn. (UEDA) and will represent 747 members in 4 states including: Indiana, Kentucky, Michigan and Ohio. UEDA will be overseen by 12 board members comprised of members from these 4 states.

“With the continued consolidation of dealerships operating in multiple states this merger strengthens the unified voice for all dealers in our region. The Association will be able to react quicker and represent all of our members’ interests in a more effective manner. This will also give us increased strength of numbers when speaking with manufacturers on issues and concerns going forward.”

The new Association represents 481 farm, industrial, construction and outdoor power equipment dealers in Ohio and Michigan and sponsors Power Show Ohio. It represents 266 farm, industrial, construction, outdoor power and automotive wholesalers in Indiana and Kentucky. - See more at: <http://www.rurallifestyledealer.com/articles/4802-omeda-maera-merging-to-form-united-equipment-dealers-assn#sthash.RnWzMlIi.dpuf>

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800-932-0607



Human RESOURCES

Can a Drug- and Alcohol-Free Workplace Program Affect Your Work Comp Premium?

In the world of workers compensation, managed care is a vastly misunderstood buzz word. In its simplest form, managed care describes a variety of techniques that, when properly applied, will help you efficiently use your workers compensation dollars.

Testing = Savings

A highly effective managed care strategy: the drug-free workplace. This concept has gained significant traction in recent years. Drug-free workplaces typically use pre-employment, random, or post-incident drug testing. A properly utilized program can be successful for both monitoring and preventing drug and alcohol abuse in the workplace. A drug-free workplace program can offer benefits over and above its initial intent, such as the potential for direct and indirect savings.

Direct savings come in the form

of premium credits. Many states offer work comp discounts for a certified drug-free workplace program. Insurance carriers in other states may have discretionary underwriting credits available to recognize the value of these programs. Either way, this can be a great way to reduce workers compensation premium.

Indirect savings come from simply reducing the negative consequences of drugs and alcohol in the workplace. It certainly makes sense that employees who are under the influence of drugs or alcohol are more likely to experience a workplace injury. But, do you know to what extent? The United States Department of Labor studies show that substance abusers are almost four times more likely to be involved in a workplace accident, and five times more likely to file a workers compensation claim.¹

Would You Want to Work with a Drug Abuser?

Utilizing the three drug tests previously noted can have an impact reaching far beyond the direct premium savings.

Pre-employment – provides a means to screen candidates and help with informed hiring decisions.

Random – sends a strong message to employees that you are committed to a drug- and alcohol-free workplace, and may identify employees who are substance abusers.

Post-incident – can be a critical piece of your work comp injury claims management. The mere presence of this type of test should result in fewer claims. In many states, a non-negative, post-incident drug test can result in denial of the work comp claim. Even when the claim isn't denied, the knowledge gained will result in a different claim management process. Claimants with a predisposition toward drug use (as indicated by that drug test) require a different claim management process to ensure recovery and prompt return to work.

The End Result

You're not testing to "catch" anyone; in fact, it could be argued that the best testing program is one that catches no one. Effectively controlling your workers compensation exposure with a drug and alcohol program can create a distinct competitive advantage, not to mention the overall positive effect on your business.

~Submitted by
Federated Insurance Co.

¹ U.S. Department of Labor; elaws@ Drug-Free Workplace Advisor; How does substance abuse impact the workplace? Accessed September 18, 2015. <http://webapps.dol.gov/elaws/asp/drugfree/benefits.htm>

Do Employer Contributions Count Towards A Health FSA's Dollar Limit?

Question: Our company sponsors a health flexible spending account (health FSA) that has always been funded only by employee salary reductions. For next year, our company is thinking about adding an employer contribution feature to the health FSA (e.g., matching contribution). In this case, would the employer contributions count toward the dollar limit for health FSAs?

Answer: Employer contributions do not count toward the dollar limit for health FSAs since the limit applies only to health FSA salary reduction contributions. See Section 125(i) of the Internal Revenue Code of 1986 (Code) at <https://www.law.cornell.edu/uscode/text/26/125>. In the event that employees may elect to receive the employer contributions in cash or as a taxable benefit, then the contributions will be treated as salary reductions and will count toward the limit if contributed to the health FSA. Also, to avoid a potential violation of the Code's nondiscrimination rules, the employer contribution amount should not vary among employees (e.g., set a certain employer contribution percentage rate which does not vary among employees). Finally, the Code's limit for health FSA salary reduction contributions is \$2,550 for plan years beginning on or after 2015.

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To learn more, contact your local Federated Marketing Representative, or visit www.federatedinsurance.com.



Human RESOURCES

Risk Management: A Peek Inside Your Company Culture

Risk management is often thought of as something to do, but just as importantly, it's also something to believe. It's a state of mind that, when shared by everyone in an organization, can enrich the company culture and become a valuable asset to customers.

What impact does a strong culture have?

When that risk management state of mind takes hold, every transaction outside the organization reinforces what the business is all about. Culture impacts business operations such as recruiting, retaining, motivating, reinventing, and continuous improvement. It is a visible representation of your company. For example:

Hiring and retention

The new generation of employees wants to understand a business and its culture enough to feel comfortable working there. They don't want to work for just a paycheck. They want to know how their work impacts overall business results and how those results impact society. They want a connection to their company and what they accomplish through their job. Sound employment practices can play an important role in overall risk management by helping to hire and retain reliable, trustworthy workers. And, once you've hired the best, you certainly want them to stay. A formal retention program can benefit companies of any size, and may help persuade your star performers to become long-term employees.

Planning and implementation

As businesses set company and employee goals, initiatives, or strategies, having a strong risk management culture helps the process move from planning to implementation.

Having a culture that focuses on understanding the risk associated with change is critical to successful implementation. Companies with strong, engaged cultures recognize
continued on page 26

What Is The Risk of Using a Generic Schedule of Work Hours?

Question: Are we at risk if employees' timecards are consistently showing a "generic" schedule of 8am - 5pm with an hour lunch? Even if the employee is entering the time themselves manually onto a timesheet?

Answer: The employer is at risk of a potential wage and hour violation if the generic schedule reflected in the employee's time cards does not represent the actual hours worked and the break times of individual employees. As you may be aware, employers need to keep accurate records of non-exempt employee hours worked to ensure they are paid properly for all hours worked and in accordance with the minimum wage and overtime requirements of the Fair Labor Standards Act (FLSA) and state law. Although there is no requirement for any particular system (such as a time clock or manually written time sheet), an employer should have some kind of reliable time-keeping system to document when non-exempt employees begin and end their shifts and take meal and any other unpaid break periods as well.

As a general matter and best practice, non-exempt employees -- and not their supervisors -- should record time in and out when beginning and ending work, as well as for any unpaid meal or rest periods and then record the time when they resume work when such break is completed (as opposed to having a system of where it is automatically done for them via a generic schedule, or not done at all). Whatever method an employer uses, the hours worked should be accurately recorded, and to this end it is not advisable that the employer have pre-filled or generic time records for their employees as this may not result in an accurate accounting of hours actually worked.

Note that even if an employee does not comply with the employer's policies for keeping accurate time records, while the employer can discipline the employee consistent with company policy and past practice (i.e. warnings, write ups, etc.), the employee must be paid for all hours worked and applicable overtime. Ultimately, the burden is on the employer to prove that it has maintained accurate and reliable time records in the face of any federal or state audit or a claim by an employee for unpaid wages. For this reason, we would advise against using generic time records. Employees also should be reminded of your timekeeping policies and the importance of employees recording their own time and doing so honestly and accurately. Managers or employees should be reminded that anyone who violates these policies will be subject to discipline, up to and including termination.

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TEN KEY TAX TIPS FOR FARMERS AND RANCHERS

Farms include ranches, ranges and orchards. While some may raise cattle, poultry or fish and others grow fruits or vegetables, all will report their farm income on Schedule F, Profit or Loss from Farming. If you own a farm or ranch, here are 10 tax tips:

1. Crop insurance. Insurance payments from crop damage count as income. Generally, you should report these payments in the year you get them.

2. Sale of items purchased for resale. If you sold livestock or items that you bought for resale, you must report the sale. Your profit or loss is the difference

between your selling price and your basis in the item. Basis is usually the cost of the item. Your cost may also include other expenses such as sales tax and freight.

3. Weather-related sales. Bad weather such as a drought or flood may force you to sell more livestock than you normally would in a year. If so, you may defer tax on the gain from the sale of the extra animals.

4. Farm expenses. Farmers can deduct ordinary and necessary expenses they paid for their business. An ordinary expense is a common and accepted cost for

that type of business. A necessary expense means a cost that is proper for that business.

5. Employee wages. You can deduct wages you paid to your farm's full- and part-time workers. You must withhold Social Security, Medicare and income taxes from their wages.

6. Loan repayment. You can only deduct the interest you paid on a loan if the loan is used for your farming business. You can't deduct interest you paid on a personal loan.

7. If your expenses are more than income for the year, you may have a net operating loss. You can carry that loss over to other years and deduct it. You may get a refund of part or all of the income tax you paid in prior years. You may also be able to lower your tax in future years.

8. Farm income averaging. You may be able to average some or all of the current year's farm income by spreading it out over the past three years. This may cut your taxes if your farm income is high in the current year and low in the prior three years.

9. Tax credit or refund. You may be able to claim a tax credit or refund of excise taxes you paid on fuel used on your farm for farming purposes.

10. Farmers Tax Guide. For more details on this topic see Publication 225, Farmer's Tax Guide. You can get it on [IRS.gov/forms](https://www.irs.gov/forms) anytime. You can order it on [IRS.gov/orderforms](https://www.irs.gov/orderforms) to have it mailed to you.

Each and every taxpayer has a set of fundamental rights they should be aware of when dealing with the IRS. These are your Taxpayer Bill of Rights. Explore your rights and our obligations to protect them on [IRS.gov](https://www.irs.gov).



LIFE INSURANCE CAN AND SHOULD FIT INTO YOUR FINANCIAL PLANS

Life insurance is something that you, as a business owner, frequently hear about. Everyone says you should have it, but has anyone ever explained why or what it can do for you? Do you really need it? No, you don't—unless you want to help provide some financial security for your family and business.

A very versatile tool, life insurance can be used in a variety of ways to help meet both personal and business planning needs.

Provide for survivor income needs.

Life insurance proceeds can help meet a family's ongoing income needs after the death of a breadwinner. These funds can allow a stay-at-home parent to continue to do so, or help with a transition back into the workforce. They can also help the family maintain their current lifestyle, pay off the mortgage, or even help fund college educations.

Estate equalization.

If you want to pass specific assets to certain heirs (for example, your business to the child currently working for the company) and still treat other heirs fairly, life insurance proceeds can be used to provide inheritances of similar value to everyone.

Pay estate taxes.

With a current estate tax exclusion amount of \$5,340,000 (\$10,680,000 for married couples), most individuals will not be subject to estate taxes. However, for those whose assets exceed the exclusion amount, a 40% federal estate tax will be due within nine months of the date of death. Additionally, 16 states have a state level estate tax that may apply, even if the federal tax doesn't. Life insurance can be a great way to ensure the funds are available to pay these taxes without having to liquidate assets.

Lifetime access to funds when needed.

Permanent life insurance policies have an additional benefit—a cash value that can be accessed by the policy owner during the insured's lifetime. Taken as loans or withdrawals, these funds can be used for any purpose. Keep in mind that surrender charges may apply and the policy growth and/or death benefit can be affected.

Fund buy-sell agreements.

As a business owner, you probably understand the importance of having a business succession plan. Yet, even the best plans can be derailed if the money to implement a buy-sell agreement is not there when needed. Life insurance proceeds are available almost immediately after the death of the insured owner, and the owner's family can receive the purchase price for the business interest upfront, avoiding the need for periodic payments over an extended period of time.

Protect against the loss of a key person.

Whether it's an owner or a valuable employee with specialized skills, the loss of a key person can be crushing to a business and could jeopardize its continued success. The time and costs associated with finding, recruiting, and training someone new can be immense. A life insurance policy owned by and payable to the business can protect against financial losses that may result from the death of a key employee.

Retain employees with a special benefit.

Life insurance can also play a role in employee retention by serving as the basis for a specialized benefit plan for select employees. Whether it's owned by the business and the cash value is used to provide periodic bonuses under a private bonus plan,

or owned personally by the employee and paid for through taxable bonuses from the company under an executive bonus plan, life insurance can be a cost effective way to provide a unique benefit to your most valuable employees.

The cost of life insurance coverage is generally based on age, health, and lifestyle, and may vary significantly from one individual to the next. It will also vary depending on the size and type of policy.

Now that you have a few things to think about, the next step is to talk to your insurance provider to learn how life insurance can benefit both your family and your business throughout your lifetime and even after you're gone.

~ Courtesy of Federated Insurance
Marketing Services & Support



CHECK THE REASONS NEDA IS DESIGNED TO MEET YOUR BUSINESS NEEDS!

- ✓ Legislative Representation
- ✓ Dealer-Supplier Relations
- ✓ Legal Counsel Hotlines
- ✓ Business and Group Insurance
- ✓ Monthly Newsletters and Weekly Emails
- ✓ Credit Card Program
- ✓ Endorsements
- ✓ Human Resource (HR) Management
- ✓ Annual Regional Meetings
- ✓ Business Forms & Supplies
- ✓ Trade-in and Flat Rate Guides
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After The Transfer: PLANNING FOR FUTURE TRANSFERS OR BREAK-UPS

Your dealership just completed a merger. You did everything by the book: took your time getting to know the other organization, set up a new organization, agreed to a fair value and established how the new ownership group would work together going forward. You will now be able to operate cohesively for years to come ...

OK, wake up from your "fantasy". This situation will not happen. As you know, it is nearly impossible to predict the future and events will pop up that impact your organization, whether it is the event itself or the timing of the event.

In a recent article, I discussed default rules for working together as owners. In this article, I want to address default rules to handle situations when the ownership group changes (or should change).

Like rules for working together, rules for ownership changes should be covered by your Buy-Sell Agreement. These rules can involve much detail (especially as more owners or owner groups are involved), but there a few main topics that should always be addressed.

IS PERMISSION NEEDED TO TRANSFER STOCK?

The most basic principle of a Buy-Sell Agreement is to prohibit transfers of stock without approval of the other owners. Without this rule, your co-owner could transfer his stock to an unknown person (or next generation family member with little experience) and all the effort put into investigating and developing the owner group goes out the window. But, as with most general rules, there are exceptions, including the following:

- Permit transfers, but only if the other owners have a right of first refusal to match the terms.

- Permit transfers between family members as long as the key persons from the family remain active in the dealership (and often retain voting control).

Options to Purchase. Owners can limit risks from changed circumstances by getting an option to buy stock of another owner if certain events occur with respect to the other owner. The most common events are death, disability, divorce and bankruptcy. However, you should consider other key events and determine if those events should trigger options to purchase stock. Two important events that can be overlooked are listed below:

- **Retirement.** We have seen dealership organizations experience the early retirement of one or more owners and then realize that the retired owner would be able to keep his stock and continue to benefit from future growth in the organization. To limit surprises in this situation, owners should discuss retirement expectations in advance and then build in appropriate purchase options.
- **Termination for Cause.** Although I hope you won't experience this, you need to be prepared to address owners that turn out to be less than perfect employees. We advise dealers that they should have an option to purchase any stock owned by an employee-owner fired for cause (e.g., violation of a non-compete, embezzlement, consistently ignoring important company policies, etc.).

Price. An option to purchase requires establishing the price for the stock. The most common approaches to price are the following:

- **Formula.** Price is based on book value of the company or book value plus a formula for

approximating "goodwill" or "blue sky" of the dealership.

- **Agreed Price.** The price is the amount that the owners (or a percentage of owners) establish. We typically see this approach used along with a mechanism requiring a third party appraisal or a formula approach if an "agreed price" has not been set in the last 12 months.
- **Appraiser.** Ownership groups may decide to defer setting price until an option event actually occurs. In that situation, an appraiser will be appointed by the company to determine the price for the stock.

When determining price, also consider if it should be adjusted further in certain circumstances. For example, the price for stock owned by a minority shareholder is often discounted because it does not give the owner control. Other dealerships discount stock values in situations where an owner retires early or is terminated for cause.

You can be confident that your ownership group will experience change in the future. Anticipating changes in advance and establishing processes for addressing change will put your dealership in a much better position for con-tinued success and growth even in situations where the timing of change is unexpected.



Lance Formwalt is a member of the Equipment Dealer Practice Group at Seigfried, Bingham, Levy Selzer & Gee, P.C. The firm also serves as legal counsel to the North American Equipment Dealers Association. Contact Lance at lancef@sblsg.com or 816-265-4106.

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ENDING LAMENT AND REGRET IN THE NEW YEAR

Let me ask three questions. Are you:

1. Depressed because you blew all of your opportunities to lower your taxes?
2. Thinking about all the lost opportunities to retire at a younger age?
3. Regretting all of the Christmas eating and New Year's [glug...glug] indulgences?

I can't help you with the last one, but I can help you with the first two! Many people think that 2015 is history. It isn't for people who care about getting a nice tax return. Are you one of those people?

Depending on your retirement account you have or are willing to open, you may be able to contribute \$5,500, or you may be able to contribute \$53,000. The contribution amounts listed here are valid for 2015 and 2016.

Traditional IRA - Deadline to create or contribute for 2015 tax year – 4/15/2016, no extensions.

The traditional IRA is an Individual Retirement Account. These can be set up by an individual at a bank or other financial organization. The annual contribution limit for 2015 and 2016 is \$5,500 and the law allows \$1,000 annual "catch-up" contribution limits for those turning 50 years of age and older this year. Under the Traditional IRA, contributions are deductible, but distributions are taxed when made in the future.

Roth IRA - Deadline to create or contribute for 2015 tax year – 4/15/2016, no extensions.

This is also an Individual Retirement Account. The contribution limits are the same as the Traditional IRA; however they are not deductible in the year made. Staying true to the "Roth" form, the contributions are not deductible, but the distributions do not get taxed when made in the future. It is also worth noting that the **new MyRA** can be contributed to up to 4/15/2016 for the 2015 tax year because the **MyRA** is legally a Roth IRA.

Simplified Employee Plan (SEP) – Contribution Deadline for 2015 – 4/15/2016 or extension date if requested. Creation Deadline - due date (or extensions) of business tax returns.

An SEP is a retirement plan where the employer contributes directly to an IRA of an employee. The employer contributions are excluded from the employee's gross income up to a maximum of 25% of compensation or \$53,000, whichever is less. The employee is also allowed to contribute to the plan. SEP's are set up by completing IRS form 5305-SEP and retaining the form as evidence of the plan. The form 5305-SEP is not submitted to the IRS but kept for reference and in the event of an audit of the plan.

Proceeds are taxed as ordinary income when distributed.

SIMPLE IRA – Creation Deadline for 2015 - Closed October 1, 2015 Contribution Deadline – December 31, 2015.

Unfortunately, the opportunity to fund a SIMPLE is simply over for 2015, but they have higher contribution limits than other individual retirement accounts. This plan is established by an employer by completing forms 5304-SIMPLE, when the employee can choose the financial institution, or 5305-SIMPLE, when the employer chooses the financial institution, which will receive the contributions. The annual limit of contributions is now \$12,500 annually, while allowing \$3,000 in annual catch-up contributions. The contributions are not taxed when made, but are taxed as ordinary income when received.

Conclusion

It is best to maximize your income by investing in your future and your retirement. Contributing money to a retirement plan not only invests in your retirement, but also puts the money in a place where creditors are usually unable to garner the money. There is still time to contribute to your retirement plan in order to reduce your taxes payable or increase your return amount for 2015. It is also worth mentioning that if you haven't set up an IRA, you still can and fund the account as well. Knowing the basics and amounts that can be contributed to the respective plan is always valuable knowledge to have when you are planning for your retirement and taxes.

If you have further questions about retirement plans, feel free to call The Center for further details. Phone: (618) 997-3436 | Fax: (618) 997-8370 | www.taxplanning.com

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Your Company Culture

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potential hazards or roadblocks in the planning stages and don't have to wait until the implementation phase to find and solve a potential issue. This reduces the time and effort spent to rework those goals and put the new plans in place.

Results

A negative culture impacts results as much as a positive culture does. Imagine watching a business service vehicle weave in and out of highway traffic because the driver is texting. Worse, the driver's distraction causes a horrific accident. When you notice the company name on the side of that vehicle, do you think, "I'm never going to do business with them!"? That certainly isn't good advertising for that business.

Aside from the bad publicity, a side effect of that driver's distraction is something called hidden costs or profit leaks. They are the sales you never got or may never get because of the actions of your business and/or employees. These leaks come in all shapes and sizes, and can substantially impact a business's profits. But, by controlling exposures, implementing best practices, and continuously refreshing your risk management culture, your company can create more opportunities for long-term success than your competitors that don't. Culture is not a task, not an initiative, not a goal—it is you, your employees, your suppliers/vendors, and everything else your business stands for every day. Culture is critical to success—both with customers and employees. Believe it!

~ Courtesy of Federated Insurance Co.

This is a complete list of all First Aid Treatments. Any other treatment would be considered Medical Treatment, and thus OSHA Recordable.

- ◆ Non-prescription medication
- ◆ Tetanus immunizations
- ◆ Cleaning, flushing, soaking wounds
- ◆ Wound coverings
- ◆ Hot or cold therapy
- ◆ Non-rigid supports
- ◆ Temporary immobilization devices
- ◆ Drilling fingernails and toenails
- ◆ Eye patches
- ◆ Simple removal of foreign bodies from the eye
- ◆ Simple removal of splinters
- ◆ Finger guards
- ◆ Massages
- ◆ Drinking fluids for heat stress



WHAT IS "VIRTUAL ESTATE" PLANNING?

There's a piece of the overall estate planning process that few think about or may even be aware of: planning the handling of their "virtual estate."

If you're part of the majority of Americans who use the Internet for everything from banking to shopping to socializing, you have virtual estate, because these activities require digital accounts complete with a user name and password.

If something should happen to you, what happens to your digital accounts? Who has access? If your family wants to preserve or download the content, will they be able to? Would you want them to? Even with your user IDs and passwords, accessing a deceased person's online accounts may violate service agreements or state or federal law. Today, only seven states have passed laws related to digital assets.

Currently, you do have a few ways to plan for your heirs' access to your virtual estate.

Check website policies. Some automatically close or de-

lete inactive accounts. Others disable an account upon request by the family or executor.

Compile a list of user names and passwords. Then store on a flash drive or print, and keep in a safe place. Don't include this information in your will, since a will becomes public record during probate.

Leave instructions. While there's no guarantee your heirs or executor will be able to follow them, make your wishes known on how you would like each account handled.

Commercial digital asset services. These service companies often allow you to name a designated beneficiary to whom your account information will be released upon proof of your death.

Taking time to consider your virtual estate now can save your loved ones significant time and frustration later.

~ Courtesy of Federated Insurance Co.

Bankers Closely Monitoring Ag Working Strong U.S. Dollar Creates Headwinds for CNHI

CNH Industrial reported its fourth quarter and full year 2015 financial results on Jan. 29. For the fourth quarter the company reported revenues of \$7,144 million, a drop of 14.6% vs. the fourth quarter of 2014. Revenues for the full year came in at \$25,912 million, down 20.4% compared to 2014 revenues. Ag equipment revenues for the quarter were down 12.4% and were down 27.5% for the full year.

For the quarter, all four of CNHI's operating segments posted profit margin improvements, with the most notable improvement coming from Ag equipment which posted an 11.7% margin for the quarter.

Commenting on the quarter, Rich Tobin, CNHI Group CEO, said, "The demand conditions remain challenging in some of our business and operating geographies during the quarter. But we did a good job of navigating them. We increased profits while reducing inventory, adopted our cost structure to prevailing demand conditions, demonstrated the strength of our product portfolio by gaining share and positioned ourselves to compete in 2016."

Strong Dollar.

The strength of the U.S. dollar vs. the company's major trading currencies (see Net Sales by Currency) continued to have a negative impact on net sales during the fourth quarter, according CFO Max Chiara. He adds that they expect this to continue in 2016, but at a lower rate. As the chart at right shows, other CNH Industrial reported its fourth quarter and full year 2015 financial results on Jan. 29. For the fourth quarter the

company reported revenues of \$7,144 million, a drop of 14.6% vs. the fourth quarter of 2014. Revenues for the full year came in at \$25,912 million, down 20.4% compared to 2014 revenues. Ag equipment revenues for the quarter were down 12.4% and were down 27.5% for the full year.

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"It should be an interesting year for farming profit as market digest the changes in dollarized commodities and depreciation of many producer currencies vs. the U.S. dollar..."

~ AEI

High Volumes of Farmer Operating Loans Persist; Interest Rates for Equipment Rising

As farmers' profit margins remain low going into 2016, levels of non-real estate farm lending at commercial banks persisted at high levels at the end of fourth quarter 2015. In a recent report, USDA notes while farm sector real estate debt is forecast to increase 6.1% in 2015, non-real estate debt is forecast to grow slightly quicker, rising 6.5%, but will not close the historically large gap between real estate and non-real estate debt.

Overall, repayment rates softened further and demand for renewals and extensions continued to rise. Persistently high demand for farm loans coupled with declines in farm income remains a concern for 2016.

~ AEI

January Ag Sales Post Some Positives

North American large Ag equipment sales saw some positive movement in January, according to the latest numbers released by the Assn. of Equipment Manufacturers, with 4WD tractors up 1% and combines increasing by 19%. Row-crop tractors were down 36.4% year-over-year in January and mid-range tractors were down 5.1%. Compact tractors continued to see sales growth with North American sales up 10.8% for the month of January vs. the same period of 2015.

U.S. and Canadian large tractor and combine sales dropped 30.3% year-over-year in January, down from the 23% year-over-year drop in December. U.S. sales were down 31.8% while Canadian sales were down 18.2%.

~ AEI

AGCO Steps Up Platform Rationalization Plans

With respect to current market conditions, AGCO was fairly straightforward about the challenges facing heavy tractors, and also noted that softening in the dairy and livestock markets in recent months could impact mid-range categories as well. "That said, given that this is such a significant new product year for the company, AGCO has reduced its used inventories substantially, getting into the 5.5-6 month range, which the company believes is better than peers, though this is still about a month too high for AGCO's liking."

~ AEI

AGCO Makes Strides in Inventory Reduction, Still More Needed

Our priorities continue to be managing our costs and lowering dealer inventories to better align ourselves with current market demand.

~ AEI

SCARY Cyber-Crime is and EXPENSIVE

Business owners today understand the tremendous benefits of using the Internet, computers, and technology in their everyday operations. Unfortunately, all that technology can open the door to some very serious cyber threats. Every business that is "plugged in" is a target for criminals to steal, spy, and cause major disruption.

Cyber threats can be a major blow to a company's financial and operational well-being. They can also expose businesses to non-criminal risks, such as privacy requirements, damage to technology assets, and liability for damages caused by inadvertent injury to others. These cyber risks can be just as severe as the typical property, liability, business auto, and workers compensation exposures.

COULD SOMETHING LIKE THIS HAPPEN TO YOU?

- **System hack** – Hackers install card skimmers onto your business's payment card system, allowing them to collect debit and credit card numbers for as long as the skimmers remain undiscovered. You must investigate and provide the required notification to the affected individuals, which could number in the hundreds or thousands.

- **Virus infection** – A virus infection corrupts data and causes your computer system to stop functioning properly. You lose revenue, and incur the cost of hiring an information technology firm to remove the virus and reinstall your software.

Unfortunately, these are just two examples of

constantly evolving cyber-attacks that could affect your business. Hackers are opportunists. If there's a hole in your defense against these types of crimes, they'll take advantage if given the chance. What you do to protect your business from technology disruptions could mean the difference between business as usual, and no business at all.

There are many ways to lessen the financial impact these broad, complex hazards present. When your insurance professional discusses data compromise and cyber coverages with you, ask what options and limits are covered, excluded, or available for your unique exposures.



Federated Insurance offers data compromise and cyber coverages to help you recover in the event of a data breach, and risk management recommendations that could help you block the criminals. To find out which coverages are available in your state, contact your local Federated Marketing Representative or call 1-800-533-0472.

*2015 Cost of Data Breach Study – United States; Ponemon Institute® LLC and IBM®; May 2015; complete report can be found at www.ibm.com/security/data-breach

Examples for illustration only; coverage for actual claims will be determined solely by the terms set forth in the policy, if approved for issue. Contact your local Federated representative to learn when this coverage's will be available in your state.

~ Courtesy of Federated Insurance Company

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