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Priced to move: Auto dealers cut prices to clear inventories

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Dec. 27--With auto dealers cutting prices to clear inventory and businesses making year-end purchases, this week is one of the busiest for car sales.

So time off might be hard to come by if you work for an auto dealer.

"You can take a vacation day any other week of the year at Ricart Automotive," said Rhett Ricart, the company's chief executive. "We'll sell in the last seven days of the month more vehicles than we sold for the previous four weeks."

Taxes play a big role in increased sales this week, experts said. Businesses sometimes choose to invest end-of-the-year surpluses in equipment, such as vehicles, rather than losing a good portion of the leftover money in taxes, said Grant Neilley, president of Neilley & Co. CPAs in Columbus.

"All of a sudden, that \$30,000 vehicle appears to only cost them \$21,000," Neilley said, because they would have paid \$9,000 in taxes. Dealers also are looking to clear inventory because personal property tax rates are determined by how much property a business owns at the end of each month.

"It's to our advantage to have a lower inventory," said Don Smith, general manager of Hugh White Honda.

This week is one of the two times during the year when Honda allows the dealership to use the word "clearance" when advertising, Smith said. The other is in August when Honda wants to clear inventory to make room for new model-year vehicles.

There isn't much tax advantage for individuals to buy this week, Neilley said. One exception is consumers shopping for hybrid vehicles. If they wait until after the clock strikes midnight on Sunday, they would have to wait a year to include the hybrid tax credits on their returns.

But there are non-tax reasons that individuals and families buy cars in late December, said Paul Taylor, chief economist for the National Auto Dealers Association in McLean, Va. Some buyers will use year-end bonuses to pay for vehicles and some purchases are late holiday presents. Car purchases also usually go up when people have time off but don't travel, Taylor said.

"People want to look at cars when everybody who wants to look at it and drive it is available," Taylor said. "The whole month of December has become a better time."