



# rto- misc.

**I**t is probably true that Wendy's and McDonald's executives do not sit around and talk about how to cook hamburgers. That is too bad in a way. If they did, the world might have better hamburgers. Rental dealers, on the other hand, do sit around and talk about how to rent TVs better. As a result, fast-food conventions are probably not much fun and not all that edifying. Rental dealers meetings, by contrast, are usually lots of fun and invariably instructional because of rental dealers' willingness to share ideas and business practices. Lessons are best learned from direct dealer-to-dealer contact so that the nuances of the practice may be gleaned. Here, nonetheless, is a summary of some rental dealer innovations, thoughts, issues and practices that have surfaced at recent rental dealer gatherings.

**WHEN RENTAL DEALERS GATHER, THEY TALK.  
AND HERE'S WHAT THEY TALK ABOUT...**

**BY ED WINN III**

LARRY GOODE

GOODE

#### MISCELLANY 1:

### IT'S 10 A.M., DO YOU KNOW WHERE YOUR TRUCKS ARE?

One dealer who didn't know the answer to this question decided to do something about it. He installed global positioning devices in his trucks. These are not the kinds of GPDs that sit on the dash with electronic street maps to help drivers find obscure addresses. These GPDs were installed out of sight with a wireless hookup to the owner's computer in the home office. At the touch of a button, the dealer can see on a map on his

computer in real time exactly where each of his trucks is. He already knows more or less where they are supposed to be.

For the first 90 days on the job, probationary employees are not told about the GPD. It ends up being a useful tool for measuring an employee's truthfulness, honesty and industry.

The dealer has also programmed the system to send him e-mail whenever a truck goes within a half mile of the driver's house. The cost of installing the GPD ran the dealer \$600 per truck (on the West Coast) and the real time tracking service runs \$30 per month. The dealer is persuaded that the installation of these devices in his trucks has dou-

bled the productivity in his company.

The GPD market is growing rapidly. Rental dealers should be able to locate local companies selling these devices and offering whatever kind of tracking service a dealer might desire.

#### MISCELLANY 3:

### COMPUTERS IN BULK

Everyone knows that Sam's and Costco and the other warehouse retailers sell in bulk. One enterprising rental dealer has made a virtue out of their practice by going around to his local warehouses and making a deal with each one to purchase their computer close-out inventories at their cost plus 10 percent. With computer technology continuing its intermittently feverish pace, there is a lot of inventory change in computers. These deals help the warehouses get rid of older inventory and give the dealer a great price on brand new, still-rentable machines. The dealer's deal-making ability did not resolve all of the issues that arise when getting more heavily into computer rental, but it did open up a reliable, economic source of supply of new machines. The dealer reports that Sam's and Costco are both buying computers at very good prices.

#### MISCELLANY 4:

### RENTING TO INSURANCE COMPANIES

Another enterprising rental dealer went around to the major insurance companies in his markets and offered them a rental package for insured consumers whose houses burn down. The rental company will quickly provide an apartment full of furniture to the fire victims and the insurance companies have agreed to pay six months' rent on the furniture in advance. This merchandise is not going to stick and the dealer has to provide stellar service during a traumatic time. Not all of the insurance companies were interested, but the advance payments from those who were have done wonders for cash flow and the program has proven to be a helpful addition to the stores.

#### MISCELLANY 5:

### THE IRS AND OWNER COMPENSATION

In the old days of C corporations, the Internal Revenue Service would occasionally challenge a rental dealer for claiming what the IRS considered to be excessive owner compensation. The IRS argument was that the owner took too much from the company in salary to avoid having the corporation's profits taxed twice, first at the corporate level as corporate income and then again at the personal level when the owner took the money as a dividend.

Lately the worm has turned completely and the IRS has challenged a rental store owner who operates as an S corporation for not taking enough salary out of the company. The store threw off about \$200,000 in profits during the year in question. The owner took about \$50,000 in salary and took the rest as pass-through income on his K-1.

The advantage to the dealer is that he only had to pay Social Security, Medicaid and Medicare taxes on the salary and not on the pass-through income. So the IRS challenged the salary amount, maintaining that it was not high enough and the debate will be over what is fair compensation for the owner of a rental enterprise that throws off \$200,000 a year in profit.

This miscellany offers no answer to that question and is intended merely to alert rental dealers that this is an issue into which the IRS may inquire.

#### MISCELLANY 6:

### CAMERAS AND PRINTERS AND MEMORY, OH MY!

A dealer reports that he is having a good success lately renting a digital camera/printer package. The printer is one of the many available that accepts memory cards directly from the camera with no need for a computer hook-up. The prices of high-quality digital cameras have come down dramatically lately, making the package attractive to rental customers.

The package does not come without issues, however. Few packages do.

#### MISCELLANY 7:

### CAN YOU SPELL OSHA?

One rental dealer who was feeling dunned and finally insecure by a recent barrage of offers to buy posters and notices for employees under penalty of near-death wondered aloud whether he had to comply with the new OSHA record-keeping procedures, with its own set of posters and notices.

The OSHA rules require ornate and arguably cumbersome record keeping for all on-the-job illnesses and injuries. There are exceptions as to which employers have to keep the records. Small businesses with fewer than 10 employees are exempt—that is 10 employees per company, not per location, according to OSHA. Then, certain "low-hazard" industries are exempt. The problem is that the list of exempt industries is made by SIC code, the federal government's Standard Industrial Classification. The list is, by OSHA's own admission in the regulations, incomplete. Moreover, the four-digit SIC codes are not being used anymore and are being replaced by the six-digit North American Industry Classification System code. There are no exemptions listed in the regulations by NAICS number.

Confused yet? There's more. Low-hazard industries are defined as those with an average DART (Days Away, Restricted or Transferred) rate at or below 75 percent of the national average DART rate. The DART rate has lately replaced the LWDII (Lost Workday Injury and Illness) rate. Please do not snicker. This is your government at work devising these acronyms and your tax dollars are paying for it.

So are rental stores exempt? Radio, television and computer stores are exempted. So are "retail stores, not elsewhere." The specific SIC code that some rental dealers were using when SIC codes mattered includes furniture rental, television rental, airplane rental, industrial truck rental, oil field equipment rental, live plant rental and assorted other categories of things that people rent. It is not listed as an exemption. Remember that SIC code—and now NAICS code classifications—are determined by the merchant. These numbers are not ordinarily assigned.

Prudence would suggest that dealers post the notice and keep the records. It is difficult to say with any certainty exactly what the law requires of rental dealers. If any rental dealer has had occasion to ask this question of OSHA officially, APRO would like to know the answer.

No matter what, all employers must report to OSHA any workplace incident that results in a fatality or the hospitalization of three or more employees. For more information, go to [www.osha.gov](http://www.osha.gov). Once there, search for the document, "Record Keeping Policies and Procedures" (RKP). And good luck.

Another dealer reports that he has had to discontinue renting printers altogether (he used to rent them with computers) because so many customers were coming in to demand that the store replace the ink cartridges in the printers. At roughly \$50 per cartridge, replacements were not in the dealer's pricing formula and when printing pictures, printers run through cartridges rapidly. Then there are questions of whether to stock and sell photo quality printer paper (the dealer with the

package does not) and whether to stock and sell upgraded memory cards to replace the modest memory that typically comes with the camera (again, the dealer does not).

So here is a product package that is working for some, but not for all. It may be worth investigating in your markets. Once again, good luck. ■

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company to see and analyze. This little scam had gone on for a long time and the tech collected thousands of dollars for bogus repairs.

There was an easy fix. Fire the tech and report him for theft, which happened. Now, the company gets a warranty repair work report from its manufacturers and matches those reports with store repair reports. The service tech is probably looking at some jail time.

Rental dealers know that most people are honest or they would not be able to stay in business. Most people, however, does not mean everybody and there is always somebody looking for a way to scam the system.