



April 11, 2011

Mr. Dave Zellers
Vice President, Customer Retention
Toyota Motor Sales, U.S.A., Inc.
19001 S. Western Avenue
Torrance, CA 90501

Dear Mr. Zellers:

The Virginia Automobile Dealers Association represents the interests of franchised dealers in the Commonwealth of Virginia, including Toyota dealers. We have received a copy of your March 15, 2011 letter apparently sent to all Toyota dealers, including those in Virginia. VADA is concerned about its Toyota dealer members' rights as a result of this letter.

We recognize that the Toyota Care/Scion Service Boost is an important marketing program for Toyota. We also understand the benefits that can be derived from the maintenance services for which Toyota will pay as a result of this program for Toyota and for its dealers and customers.

However, we do not understand your simple assumption that state sales tax provisions will not apply to the parts included in any work done. In fact, we seriously question whether this is correct under Virginia law.

We believe that your action will open dealers to the likelihood of state tax audits and substantial assessments for back taxes, interest and penalties. As a program offered by Toyota, and under the Virginia Code applicable to reimbursement of dealers for service and parts in work done under manufacturer programs, we believe that dealers have a right to compensation for taxes owed to the state for parts sales.

Based on research, we fully agree that the labor hours involved and the services provided to customers are tax exempt. However, the oil and filter and any other goods used in the work may be considered taxable by the Commonwealth of Virginia. If you have research that is contrary to this, we would be happy to review it. However, if you do not, we ask that you reconsider your position.

Sincerely,

A handwritten signature in black ink, which appears to read "Donald L. Hall". The signature is written in a cursive style.

Donald L. Hall
President

cc: VADA Toyota and Scion Dealer Members