

# Delphi wins appeal of tax inversion decision

By Dustin Walsh  
dwalsh@crain.com

**Delphi Automotive plc** will not pay U.S. taxes on its overseas sales, the supplier announced last week after winning an appeal with the **Internal Revenue Service** this month.

The IRS notified the supplier in June 2014 that it would be taxed as a domestic corporation, despite its previously established tax domicile in the United Kingdom, which would have cost the supplier hundreds of millions in back taxes. The IRS planned to tax Delphi, whose CEO and operational headquarters are in Troy, retroactively from Oct. 6, 2009, when it emerged from Chapter 11 bankruptcy protection. It incorporated in Gillingham, 37 miles east of London.

The IRS said that Delphi's acquisition of old assets following bankruptcy triggered the decision to tax the supplier as a U.S. entity. Under U.S. tax code, U.S.-based companies are taxed on sales made globally, not just on U.S. sales.

Delphi, however, appealed the IRS decision and won the ap-

peal from the **IRS Office of Appeals** on April 8, it said in a **Securities and Exchange Commission** filing Wednesday.

As a U.K. tax resident, Delphi isn't required to pay U.S. taxes on its sales tied to overseas operations and is only taxed in the U.S. on income related to sales in the U.S.

In 2013, Delphi paid \$256 million in taxes at a 17 percent effective rate, according to SEC filings. That figure could have risen to as much as 22 percent under the U.S. tax code, it said in a 2014 SEC filing. Under the tax code, Delphi's tax spending could have increased more than \$75 million, to roughly \$331.3 million, in 2013.

The appeal win may be a blow to the White House, which has sought to curb tax inversion and other methods for corporations to protect profits offshore in recent years.

**Apple Inc.**, **Google Inc.** and many other Fortune 100 companies have been targets of the IRS by incorporating portions of their businesses offshore that allow them to avoid U.S. taxes.

**AAA**  
FROM PAGE 3

Founded 100 years ago, The Auto Club Group has 10.5 million members in 11 states, Puerto Rico, the U.S. Virgin Islands and Canada. It is the second-largest of the 53 AAA plans in the country behind Southern California's **Auto Club Enterprises**, with 12.5 million members.

Richardson said he plans to build on AAA's 3.5 percent annual membership growth and its 5 percent annual insurance growth. Annual revenue was \$3 billion in 2014 and 2015.

But there are several emerging service lines — besides AAA's traditional road, travel and insurance specialties — that Richardson said he wants to further expand.

Two are mobile technology and banking. In 2011, the Auto Club entered the banking industry with its acquisition of a federally chartered bank in Nebraska.

In what is renamed **Auto Club Trust FSB**, AAA is now marketing its own branded credit cards, auto and home loans in all 11 states, said Tom Ferries, CEO of the bank and AAA's senior vice president of financial services. It also offers a wide range of banking products, including checking, savings, CDs/IRAs,

debit cards, and online and mobile banking.

Last year, Auto Club Trust FSB also signed a marketing arrangement with **U.S. Bank** to co-brand two new MasterCard credit cards. The AAA cards feature a reward system to earn AAA dollars to purchase travel and other services or for cash back.

"Since we own a bank, we are looking at it as a way to become an issuer over time," Ferries said. "The agreement runs through 2012, and we have a right to buy the balance sheet" in pieces over that time.

AAA has about 300,000 active credit cards, increasing at a 15 percent annual clip, with \$600 million in balances, Ferries said.

"We hope every one of our members will get a AAA credit card," Richardson said.

During the first three years, the AAA bank was managed in a community bank structure and grew to about \$78 million in assets. But when Ferries arrived at AAA in 2014, he saw that the local branch structure was not scalable to all 11 states.

"We changed our strategy from a branch to digital strategy, and from 2014 until last year we grew in assets to \$300 million from \$78 million and from \$40 million in deposits to more than \$240 million," Ferries said.

In January, AAA rolled out its digital auto loan product, which is designed to allow members to complete an electronic application in 3 to 5 minutes.

"It works just as advertised," Ferries said. "We did a small amount of loans the first three months, about 60 to 70 (per month), but now we are done with our testing and expect to grow substantially this spring."

A third area Richardson said Auto Club is just beginning to develop is specialized member services for millennial AAA members — many of whom do not own cars.

"We want to bring value to millennials," Richardson said. "We are closely watching and analyzing these trends where there will be fewer cars in the marketplace. More (millennials) are living in metro areas where it is costly to own a car. They commute" (in different ways) but still could use the AAA card for services.

AAA's discounts and awards program also is poised to make a big splash with a digital alert system for retail and other service partners, Richardson said.

"We are working with retailers to launch in the first few states in the third or fourth quarter," said Richardson, adding that Michigan will be one of the first states. The technology will be available to all members by the end of the year.

The AAA Mobile app digital discount alert system will work like this for its members: If you have downloaded an AAA Mobile app to your smartphone and go into a business such as **Dunham's Sports**, **Hard Rock Café** or **Papa John's**, an alert will pop up on your phone based on GPS to show you get an AAA discount by using your card. The app can be customized.

Like investing in mobile technology, Richardson said, AAA's future has always been finding new ways to serve its members. He said Podowski set the tone over the years that he wants to continue.

"He was extremely focused on AAA's financial welfare and brand and commitment to employees. My style is open communication, and I have been out in the community and in Lansing meeting legislators," said Richardson, who still commutes each weekend from Chicago and plans to buy a house in Michigan this summer with his wife and four children.

As he has gotten to know some of AAA's 8,200 employees in 11 states, Richardson said he has learned of the multiple generations of employees who have worked at AAA. "We have dedicated employees, many long-tenured with three generations of family members," he said.

Richardson is becoming involved in the community by serving on the boards of directors of **Business Leaders for Michigan**, the **Michigan Department of Insurance and Financial Services'** president's council and **Henry Ford Health System**.

"There are many issues that I am just learning," he said. "Our job is to work with regulators to develop a marketplace that is fully competitive." ■

Jay Greene: (313) 446-0325  
Twitter: @jaybgreene

Another Detroit Homecoming success story...

## EXPAT COMES HOME TO CREATE NEW PLACES

**I**n 2014, Detroit was emerging from bankruptcy and Detroit Homecoming was created to bring expats back to their hometown to reconnect and reinvest in their hometown. Two years and two classes later, 300 people have returned.

**Teresa Mosley Sebastian**, a graduate of Detroit Immaculata High School, University of Michigan, Wayne State University and MSU's School of Law, came to the 2015 Detroit Homecoming and made connections that resulted in two major investments in projects led by local developers: DuCharme Place in Lafayette Park and another pivotal development in the downtown area. This may be just the beginning of Teresa's affection for her hometown and the impact she will have on its future.

Detroit Homecoming has delivered more than \$240 million in pending investments in the city of Detroit. Visit [detroithomecoming.com](http://detroithomecoming.com) to see the many activities of the past two years. Look for even greater results as Detroit Homecoming 2016 kicks off Sept. 14-16.

**DETROIT**  
**HOMECOMING**

For sponsorship information, contact Matt Langan at 313-446-6032 or [mlangan@crain.com](mailto:mlangan@crain.com)



Teresa Mosley Sebastian  
President and CEO  
The Dominion Asset Group

DuCharme Place

