



Profitable Ideas for Automobile Dealers

Year End Thoughts



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The end of the year is closing in fast and most dealers are trying to squeeze the last bit of sales out of the sales staff and the general public to meet month and year to date goals. The objective of increased revenue is a great goal until the tax man appears and wants to collect additional taxes on the great month and year you accomplished.

So before you close out the year, take a look at the following areas to insure all the deductions are taken to reduce your taxes before the tax man comes.

Used Vehicle Inventories – If you are not on Used Vehicle LIFO, have you written down the vehicle to Fair Market Value? If so, have you documented the value using a published guideline consistent with the one you elected when you first began writing down the vehicle? It is important to retain the documentation in case of an audit.

Parts Inventories – Have you had a physical parts inventory recently? If so, were there parts that were considered obsolete, damaged or no longer returnable to the factory? You may be able to scrap the parts or donate them to a local technology teaching institution for a charitable deduction. Remember to document the scrapping of the parts or have the technology teaching institution provide you with a letter documenting the value of the parts donated.

Fixed Assets – As of the date of this article, the section 179 deduction limitation for 2015 still stands at \$25,000, the amount small business owners can deduct for fixed asset purchases. Congress has still not passed the extenders bill to increase the amount of the deduction even though it is expected. Still, if you need something and can have it placed in service before December 31 go ahead and purchase this year.

Building Renovations or New Construction – If you made any renovations conduct a thorough review of the work to determine if any items were repairs. Repairs can be fully expensed. If you built a new building consider having a cost segregation study done. These studies typically cost around \$10,000 but greatly accelerate the depreciation deduction, especially in the first two years.

Passive Activity – If you have passive investments with suspended passive activity losses, consider disposing of the activity before year end. This will allow you to deduct the suspended loss against 2015 income.

If you would like to discuss one of these suggestions or other year-end tax tips, contact any member of the team at Vawter, Gammon, Norris and Company, P.C.

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Why You Should Be Growing
Your Service Department





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Why You Should Be Growing Your Service Department

Edited by Vawter, Gammon, Norris & Co., P.C.

The service department in the automotive industry is often overlooked in terms of profitability. In the evolving marketplace consumers are turning to dealerships not only for the initial purchase of a vehicle but also for routine maintenance throughout its lifecycle. Thus, it is important that growing the service department becomes part of every dealership's business development plan.

The following are just a few reasons why you should make growing your service department a top priority:

Return on investment.

Growing your service department and increasing your profitability go hand in hand. Service departments are becoming the lifeblood of a dealership. The profit margin for services and parts has been outpacing that of new-car sales.

There is an organic opportunity for a return on investment when you sell a vehicle to a consumer who lives in the proximity of the dealership. Today, nearly one-quarter of Americans are driving with some type of service plan, which generally covers routine maintenance as prescribed in the owner's manual.

Acquiring a customer today is no easy task. Dealerships are turning to prepaid maintenance plans (PPM) and courtesy service packages to help retain their customers and get a higher return on the investment.

Survive tough economic times.

Tough economic times are inevitable. A profitable service department can help a dealership withstand hardships brought on by a tanking economy. If vehicle sales decline, service department profits will be of the utmost importance. If consumers are not purchasing vehicles, they are fixing what they have.

In order to thrive in today's economy a stellar dealership and service department is crucial. Consumers are holding on to their vehicles for longer periods of time because of factors such as reduced warranty lengths and long-term car loans which are becoming increasingly popular. IHS Automotive predicts the average age of vehicles on the road will reach 11.7 years by 2019. Consumers are doing their research. They seek and will be loyal to service providers with the following qualities,

- Friendly, personable customer service.
- High-quality, knowledgeable professionals who prove they are competent with proper training and certifications.

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- Fair prices.
- Guaranteed work.
- Honest and accurate details regarding the time required for service/repairs.
- Attention to minor details such as offering a comfortable waiting area with amenities such as beverages, reading materials and seating.

It is important to remember – it is not only about selling cars, it is also about retaining business and this can certainly be done through the service department.

If you have questions about growing your service department or benchmarking yours against others, please contact one of our professionals today.



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