

HEADLIGHTS



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IS IT TIME FOR YOUR DEALERSHIP TO ACCEPT CRYPTOCURRENCY?

A quick Google search for “car dealerships accepting crypto” finds numerous articles about a growing number accepting Bitcoin and similar digital currencies, thus begging the question: Should my dealership consider doing so?

Beware: Accepting cryptocurrency means assuming a higher level of risk and more complex recordkeeping.

Cryptocurrency value swings are common and can have severe consequences. If a \$70,000 Corvette sold on May 9 for one Bitcoin, by May 19 the value of those Bitcoins had dropped by 34%.

Before accepting cryptocurrencies, you need answers to these key questions:

- ✓ Will the cryptocurrency be converted to dollars immediately?
- ✓ What kind of cryptocurrency will you accept, and how will you process it?

- ✓ Are your accounting and IT departments ready for the additional work, oversight and security that cryptocurrency transactions require?

Whether to convert cryptocurrency to cash immediately

Because of the wild fluctuations, many dealerships convert cryptocurrency to cash immediately to lock in the sale price. In addition, many third-party companies handling cryptocurrency for companies convert it to cash at the close of every business day.

What cryptocurrency to accept and how to process it

The questions of what kind of cryptocurrencies to accept and how to handle them are related, especially if you want to use a third party.

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AUTUMN 2021

**POWER UP YOUR PROFITS:
HOW YOUR DEALERSHIP CAN BENEFIT
FROM INVESTING IN SOLAR PANELS**

**SERVICE DEPARTMENT
RISKS—A TRUE STORY**

Companies such as BitPay and BigGo make it easy for companies to accept cryptocurrencies and immediately convert them to cash, tacking on a fee and operating similarly to credit card processors.

Alternatively, dealers can establish their own fund on an exchange. Exchanges allow users to buy, sell and trade various cryptocurrencies.

Many services offer the opportunity to create a “wallet” for easy buying, selling and trading cryptocurrencies. The most common is a “hot wallet,” meaning it is connected to the Internet and is easy to use. By comparison, a “cold wallet” is like a thumb drive—it is not connected to the Internet until you decide to initiate a transaction. Because it is offline until you begin the transaction, it is considered the most secure.

Recordkeeping and avoiding IRS headaches

Despite having “currency” in its name, cryptocurrencies are more similar to stocks. Whether trading one cryptocurrency for another or for cash,




each trade must be separately documented and reported as a gain or loss transaction on your tax return.

Many virtual currency exchanges are offshore and may trigger Foreign Bank Account Report (FBAR) reporting requirements, required for foreign accounts that exceed \$10,000 during the tax year.

The good news is that more third-party processors are providing recordkeeping for tax reporting purposes.

Bottom line

Dealers who decide to accept cryptocurrency should do so cautiously. Data breaches can and do happen. Exchanges are not impenetrable. Hackers are everywhere. Wallets can be lost or stolen. Security keys forgotten.

You will need to evaluate your risk appetite and consider your accounting office and IT capabilities. Feel free to consult your AutoCPAGroup member to develop a cryptocurrency strategy. 

POWER UP YOUR PROFITS: HOW YOUR DEALERSHIP CAN BENEFIT FROM INVESTING IN SOLAR PANELS

Laura Everett, CPA
Albin, Randall & Bennett, CPA



A recent presentation on harnessing the sun’s power sponsored by the AutoCPAGroup has been on my mind. Specifically, how auto dealerships can benefit

greatly from investment in solar panels and why dealers should start now to prepare for a changing future. With rising energy costs, commitments by government agencies for increasingly stringent emission standards, and targets set by automakers for increased electric vehicle (EV) sales goals, dealers may need to consider solar as part of their strategic cost saving plans.

We have had dealers reach out to us about purchasing their operating facilities from the previ-

ous owner and their desire to have us involved throughout the process. In addition to advice on entity structure, financing and cost segregation studies, solar panel investment will be at the top of our discussion list.

We envisioned clients' available rooftops covered with solar panels, which prompted some dealers to consider an investment in carports. A carport could also house solar panels in addition to performing its usual duty of protecting inventory from the elements and providing improved inventory lighting.

One aspect to be shared with dealers that we had not previously considered before attending this presentation was the minimized installation disruptions (they are on the roof!) to the dealer's regular operations. Working through and around building renovations and improvements can be a real drag for the dealership team and on a customer's dealership experience.

While on the subject of customers, we suspect that many customers would be impressed and appreciate a dealer's commitment to alternative energy, similar to the way they respect a dealership's commitment to their communities.

Starting the solar panel investment sooner rather than later will ensure that dealers are able to benefit from tax incentives, including the federal Investment Tax Credit, which is currently a 26% tax credit for projects commencing in years 2021 and 2022. The credit drops to 22% for projects

commencing in 2023, so there are incentives for dealers to act now.

Dealers can also benefit from bonus depreciation benefits related to solar projects under the Tax Cuts and Jobs Act, and the dealer's state may offer certain tax incentives, as well. Making the solar investment now not only allows the dealership to capture the benefits previously noted but will begin the start of continued utility cost savings that will continue for years to come.

We look forward to partnering with auto dealership clients through their solar journey, but it is clear to us that dealers need to build a relationship with a solar expert they can trust. An expert in the auto dealership solar space can help dealers properly plan the optimal EV charging station locations and their appropriate charge levels now meet manufacturer requirements and to meet future needs. They can also guide dealers through solar equipment purchasing and financing, permitting installation, and maximizing the dealer's return on investment through careful analysis of peak demand times and future expansion, including excess power storage.

If a dealer is unfamiliar with how solar can produce significant cost savings in a world of rising energy costs and join the efforts to produce clean, sustainable energy, the time to act is now! Feel free to reach out to an **AutoCPAGroup** member to analyze and discuss the opportunities available for conversion to solar. ✍️

SERVICE DEPARTMENT RISKS—A TRUE STORY

Service departments, as we all know, are significant contributors to the overall profits of dealerships. Even though the grosses are good and should lead to strong service absorption, it is the unknown or hidden liabilities, resulting in the risk that is taken on in the service area, that can make or break long-term departmental profit. While profits generated from properly managed

repair orders are generally consistent, one bad job can wipe out profits generated by several weeks of profitable tickets.



Donald Kretschmar, CPA
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please turn the page ➡

I am sure that many of us have seen simple mistakes or oversights in service that result in a great deal of expense that cannot be recovered. Training of technicians is certainly very important, but even the best technicians can make mistakes. Some involve simply mechanical issues, but others can lead to serious injury to customers. In turn, this can result in a significant expense and be a drain on profits.

Let's look at an example of a simple procedure that can save or eliminate a great deal of expense:

A unit arrives at the service department to repair the brakes and take care of recall items. The work is completed, pads are replaced, rotors are replaced or turned, and all is good. The nuts are put back on the wheels ready to tighten (but not tightened) and then ... something happens. The technician, for some reason, gets distracted; he/she may receive a phone call or get pulled away to help another technician. The technician then returns to his workstation, lowers the lift and clocks out on what he considers a completed job.

The customer drives the vehicle off the lot, travels a quarter of a mile down the road, turns at an intersection, and the driver's side wheels fall off. The lug nuts were never tightened. Thank goodness, nobody is hurt. The repair for both wheels—hub assembly, studs, bearings, rims, new tires (for all wheels) and a rental car for many days—all cost the dealer. Not a good day.

There is a straightforward fix for this particular situation and other mechanical issues; create a policy that mandates another technician to check the tires and lug nuts before the unit is completed. The cost of the inspection is minimal considering the exposure to liability and bad press and cost of negative CSI (customer service index) this can cause. Big box stores' service departments have implemented this procedure, and it has essentially reduced this risk and can be applied in all service departments.

Most dealers are aware of the need for effective management of their service department. One component of effective management is to recognize the hidden risks in service department opera-

tions and to implement policies to mitigate and eliminate these risks.

To discuss setting up effective policies to combat hidden risks in dealership service departments, contact your **AutoCPAGroup** member. ↗

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