

A photograph of a teal bicycle with orange handlebars and a front fender, positioned on a paved road that stretches into a forest. The sun is shining brightly from the right side, creating a lens flare effect. The road is flanked by green trees and bushes.

Preparing Your Dealership for Year End

December 13, 2023

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Introductions:



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Beneficial Ownership Information Reporting

Beginning January 1, 2024, the Treasury department's Financial Crimes Enforcement Network (FinCen) requires certain entities to file beneficial ownership information (BOI) reports disclosing the following:

1. Beneficial owners - owns or controls 25% of a company or has substantial control over the company
2. Company applicants - for those entities formed after 1/1/24

Applies to certain corporations and LLC's.

11/30/23 update: Reporting companies registered/created in 2024 have 90 calendar days from the date of receiving actual or public notice of their registration/ creation



Beneficial Ownership Information Reporting

A large company is exempt from filing if it meets all of the following:

1. Employs more than 20 full time employees,
2. Employees are employed in the US,
3. The entity has a physical office with the US, and
4. Federal tax return has more than \$5,000,000 in gross receipts

Most dealership entities will be exempt but related real estate and management companies may have to file the report.

Having a current organizational chart on file is key to determining which entities may have reporting requirements (and overall tax planning)



New Clean Vehicle Credits (IRC 30D) and Previously Owned Clean Vehicles Credit (IRC 25E)

For 2023, buyers of electric vehicles can (potentially) claim a federal income tax credit on their 1040s, subject to many rules:

	New Car	Used Car
Maximum Credit	\$ 7,500	\$ 4,000
Sales Price Cap	\$ 55,000	\$ 25,000
MAGI Threshold		
Single	\$ 150,000	\$ 75,000
MFJ/SS	\$ 300,000	\$ 150,000
HOH	\$ 225,000	\$ 112,500
All Others	\$ 150,000	\$ 75,000
Battery/Sourcing Requirements	Yes	No

IRS has an [FAQ on eligibility](#)

US Department of Energy has [a resource](#) to determine car eligibility



Electric Vehicle Credits

Major changes coming to credit for 2024:

- Option for buyers to transfer credits to dealerships as funds for a down payment on a new or used car eligible for the clean energy credit

US Treasury Department has created an IRS portal for dealerships to register, as the first step in receiving payments for transferred credits. Guidance is slowly coming out on how to handle this process.

- NADA, AIADA working with the US Treasury to ensure a streamlined repayment process is in place once the credit transferability occurs (1/1/2024)
- [Energy Credits Online tool](#)



Commercial Clean Vehicle Credit (IRC 45W)

- New vehicles manufactured by a “qualified manufacturer”
- 15% per vehicle amount (hybrids) or 30% (clean vehicle, no ICE)
- GVWR <14,000 and 7kwh minimum battery life – up to \$7,500 credit
- GVWR >14,000 and 15kwh minimum battery life – up to lessor of \$40,000 credit or incremental cost of such ICE vehicle
- Must be subject to depreciation and purchasing for qualified business use
- In a lease, the lessee is NOT eligible for the 45W credit, lessor receives credit
 - Evolving regulations surrounding transferability of these credits under IRC 6418 and elective pay under IRC 6417

IRS list of [Manufacturers for Qualified Commercial Clean Vehicle Credit](#)



Alternative Refueling Station Credit (IRC 30C)

- Take credit on Form 8911
- Details found in Public Law 117-169 - Section 13404
- NO credit if NOT in designated census tract
- 6% base credit (if depreciable property), increased 5x to 30% if wage/apprenticeship requirements met (up to 100k)
- 30% if personal use up to 1k of credit
- *179 reduces basis before credit, bonus taken after basis reduced by credit
- Consult with your tax advisor regarding any state credits (ex NY has non-refundable credit, must paper file)



Alternative Refueling Station Credit (IRC 30C)

Wage and Apprenticeship requirements

- Proposed regs issued 8/30/23 on requirements
 - <https://www.federalregister.gov/documents/2023/08/30/2023-18514/increased-credit-or-deduction-amounts-for-satisfying-certain-prevailing-wage-and-registered>
- Contractor needs to have laborers participating in “registered apprenticeship program” (as defined in IRC 3131(e)(3)(B))
 - 12.5% of total labor for 2023, 15% for 2024 and after
- Prevailing wage requirements
 - Approved website for prevailing wages <https://sam.gov/content/home>
- Apprenticeship requirements
 - Include employees within their “90-day probationary period”
 - A registered apprenticeship program is a program that has been registered by the DOL's Office of Apprenticeship or a recognized State apprenticeship agency
 - Program registration is evidenced by a Certificate of Registration or other written indication of registration.



LIFO Inventory

Using the Last-in First-out method may provide significant tax deferrals.

There is constant discussion by Congress and IRS to potentially repeal the benefit, however, unlikely to occur.

If looking to convert from a C corporation to an S corporation, the LIFO reserve is recaptured into income at time of conversion, but you may continue to use the LIFO method going forward.



LIFO Conformity Requirements

What are the conformity requirements?

IRC section 472(c) states a taxpayer on the LIFO method for tax purposes must also use the same method for financial reporting. The application of this section primarily concerns statements affecting a full year's operation, whether the same as the taxable year or any other 12-month period.

No violation occurs if the taxpayer issues non LIFO reports or credit statements covering a period of operations that is less than the whole of the taxable year and less than 12 months.



LIFO Conformity Requirements

Your factory financial statement that is reporting results of operations for a period of twelve months **MUST** include a LIFO adjustment affecting the income or loss.

An estimate or final LIFO adjustment has to be shown on any year-end factory financial statement issued to the financing institutions, to the factory or to any other outside party.

If you do not show a LIFO adjustment on your December statement, you risk the loss of your entire LIFO reserve.

Your interim factory statements (those for a period of less than 12 months) do not have to have a LIFO adjustment on them.



LIFO Practice Tips

If you prepare a pre-LIFO December statement for internal purposes, make sure that it is not sent to any third parties, banks or manufacturers. Would result in a violation of the LIFO conformity rules.

To maximize the LIFO adjustment at year-end, stock-in all new vehicles with a December invoice date, even if the vehicles were not delivered to the dealership by December 31.



Used Car Write-Downs

- Under Internal Revenue Code 471, dealers can elect the lower of cost or market method for valuing used car inventory.
- Under the lower of cost of market method, used cars can be adjusted to the average wholesale price listed at the end of the year.
- TC Memo 2008-237: Determined the record keeping requirement for used car write-downs
 - Records must have sufficient detail to enable a comparison of similarly equipped vehicles in similar condition:
 - Make, model and year of the vehicle
 - Vehicle condition, mileage and optional equipment
- An official used vehicle guide must be used consistently and the proper guide corresponding to the dealership location and time period must be used.



Used Car Write-Downs – Practice Tips

We recommend using one of the following accounting procedures for posting used car write-downs at year-end:

1. Set up a separate used car write-down account controlled by stock number. The account can be displayed side by side in the used car schedule
2. Post the total write-down adjustment as a lump sum to a separate account, reverse at the following year-end.
3. Documentation should be kept with the schedule of write-downs, including the applicable wholesale price guide.

The write-downs can be recorded as income as the cars are sold or at year-end.



Other Inventory Reminders

Parts	Floor Plan Assistance and Other Manufacturer's Credits
<p>Have an independent parts physical inventory performed before year-end and adjust the book inventory amount accordingly. Try to arrange an inventory date as close to year-end as possible. Disposal of any obsolete parts can be taken as a deduction.</p>	<p>Floor plan assistance and other manufacturer's credits earned upon the purchase of vehicle inventory may be deferred and recognized as income when the vehicle is sold and not when the credit is received.</p>



Pass-Through Entity Tax (PTET)

- Work-around for allowing company owners to deduct state taxes. With the SALT cap of \$10,000 on all taxes, individuals were not getting tax deduction for state and local taxes paid.
- Applicable to any pass-through entity (partnership/S corporation). Not applicable for single-member LLCs or any disregarded entity.
- Company gets a tax deduction for the state tax which would be due on the individual owner's tax return.
- Partners/shareholders get a dollar-for-dollar credit for their share of PTE taxes on their state personal income tax return.



Important Year-End Reminders

The Sec 199A (20%) deduction results in significant tax savings for eligible business owners. Reducing the income of the dealership by large salaries to owners of S Corps will cost the owner additional income taxes and may affect the deductibility of non-floor plan interest. This affects S Corps only, not C Corporations or partnerships.

Paying large year-end bonuses to owners in order to pay in needed withholding taxes is no longer advisable and will result in higher income taxes on the same income. Rather, pay in estimated taxes for the owner on a quarterly basis.



8300 Reporting

- The amount of cash is **more than** \$10,000
- The business receives the cash as:
 - One lump sum of more than \$10,000
 - Installment payments that cause the total cash received within one year of the initial payment to total more than \$10,000.
- The establishment receives the cash in the ordinary course of a trade or business
- The same agent or buyer provides the cash
- The business receives the cash in a single transaction or a series of related transactions



Where to File Form 8300



Beginning January 1, 2024, businesses that file 10 or more information returns must e-file [Form 8300](#), instead of filing a paper return. For those with fewer information returns, e-filing Form 8300 is still optional.

To file electronically Form 8300, a business must set up an account with the Financial Crimes Enforcement Network's [BSA E-Filing System](#). The IRS will enhance the privacy and security of all taxpayer data.

<https://bsaefiling.fincen.treas.gov/main.html>



Businesses not required to e-file can mail the Form 8300 to the IRS at:
IRS Detroit Computing Center
P.O. Box 32621
Detroit, MI 48232



Where to File Form 8300

Link to file:

<https://bsae filing.fincen.treas.gov/main.html>

BSA E-Filing System
Financial Crimes Enforcement Network

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UPDATE: New User Interface for Registered BSA E-Filers

About BSA E-Filing

The BSA E-Filing System supports electronic filing of Bank Secrecy Act (BSA) forms (either individually or in batches) through a FinCEN secure network. BSA E-Filing provides a faster, more convenient, more secure, and more cost-effective method for submitting BSA forms. [Learn more about BSA E-Filing here.](#)

News

- Sep 14 2023 [FinCEN Extends FBAR Deadline for Victims of R...](#)
- Jun 23 2023 [2023 FinCEN E-Filing Survey](#)
- Dec 09 2022 [FinCEN Further Extends FBAR Deadline for Cert...](#)
- Oct 06 2022 [FinCEN Provides FBAR Relief to Victims of Rec...](#)
- Aug 30 2022 [Production SDTM Server IP Change](#)

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New Filer Enrollment
New to BSA E-Filing? Enroll to file BSA forms on behalf of an institution (or client)



Form 8300 (Required Written Statement for Customers)

The law requires the business to provide a written statement to each person(s) named on Form 8300 to notify them that the business has filed the form **on or before January 31** of the year that immediately follows the year the customer made the cash payment. We highly recommend not filing them before January of the following year.

- The statement must include the following information:
- The name and address of the cash recipient's business
- Name and telephone number of a contact person for the business. IRS can fine you if this information is not in the statement
- The total amount of reportable cash received in a 12-month period
- A statement that the cash recipient is reporting the information to the IRS



Sample Letter

[DEALERSHIP LETTERHEAD]

[Date]

Dear Customer:

We are required by the Internal Revenue Service (IRS) to report all transactions involving payments of more than \$10,000 in cash (26 USC6060(I)).

We filed Form 8300 with the IRS on (date) 2020, indicating that you paid us [\$ amount] in connection with your purchase of a [year, make, model, VIN].

Sincerely,

[Dealership Name]

[Dealership Contact Person Name]

[Dealership Address]

[Dealership Telephone Number]



Bonus Depreciation

IRC §168(k) allows taxpayers additional depreciation for assets placed in service in a given tax year

Percentage of additional depreciation phasing down:

- 2022 – 100%
- 2023 – 80%
- 2024 – 60%
- 2025 – 40%
- 2026 – 20%
- 2027 – 0%



Bonus Depreciation (cont.)

To claim additional depreciation under §168(k), dealerships must not be subject to §163(j) interest limitation:

- Amount of interest (including gross floorplan prior to netting with any manufacturer credits) cannot exceed 30% of the sum of:
 - Taxable income
 - Gross interest expense

Prior to 2022, law allowed for an add back to taxable income for depreciation in the above calculation. For 2022 forward, depreciation/amortization are NOT added back.

- Can still claim additional depreciation under §179 if interest limited, but subject to taxable income floor, and individual caps.



Cost Segregation Studies

Significant tax savings are achieved by having a cost segregation study performed on new construction and renovations enabling faster depreciation of building and improvements.

Disposition Study and Cost Segregation – After construction or initial acquisition of dealership property, subsequent improvements could result in the immediate expensing of portions of the building that were removed or replaced. If certain building components have been removed why continue to depreciate them?

Improvements made to the interior of the dealership are considered qualified improvement property. And may qualify for both bonus depreciation and Section 179 expensing.

Under the new interest regulations, bonus depreciation may not be allowed on the dealership, so reporting the improvements on the property owner's return may provide a better result.



De Minimis Safe Harbor Election

Expensing of fixed assets



Under the IRS tangible property rules issued in 2014, certain amounts paid for machinery, furniture or equipment can be expensed directly rather than capitalizing them in fixed asset accounts.



For 2023 you can directly expense amounts paid up to \$2,500 per item or invoice (\$5,000 if you have a certified financial statement).



Discuss with management whether to expense as incurred or wait until year-end.



Misclassification of Employees

Misclassification occurs if an employer treats people as independent contractors when they are employees. This tactic is used to avoid compliance with:

- Unemployment insurance (UI)
- Workers' Compensation
- Social Security
- Withholding tax
- Temporary disability
- Minimum wage and overtime laws that protect workers

When you pay an employee as an independent contractor, it may be considered fraud. It puts the employer at tremendous risk of penalties, fines and criminal prosecution.



Implications of Misclassifying Workers



Worker's Compensation

If a misclassified independent contractor is injured on the job and files a claim for workers' compensation, the employer may be subject to workers' compensation claims, civil tort actions, fines and criminal convictions and the employer's liability insurance will not cover any claim or lawsuit if it is determined that the injured individual is actually an "employee."



State Unemployment Insurance

The Employer must pay the amount that they should have contributed and are also assessed interest for each month that they are in default. In addition, organizations that are found to have willfully misclassified their employees to avoid paying unemployment benefits may be found guilty of a misdemeanor.

Form 1099-NEC

- Form 1099-NEC replaced Form 1099-MISC, Box 7 for non-employee compensation only
- Review all payments made to individuals who are not your employees and unincorporated entities during the year and determine those to whom \$600 or more was paid for services rendered to your dealership. Do not include payments for purchases of tangible property. Form 1099-NEC must be issued to entities that are LLC's as well as LLP's and sole proprietorships, but not to corporations (Inc., Corp., or Ltd.)
- Examples of payments requiring 1099-NEC filings:
 - Independent contractors
 - Landscapers
 - Cleaning and repair companies
 - CPA's
 - Attorneys (even if incorporated)
 - Physical Inventory companies
- Form 1099-NEC must be filed by January 31, 2024.



Miscellaneous Considerations

Demonstrator vehicles – Follow the rules for the reporting of the value of personal use for sales and non-salespersons on Form W-2.

Employee bonuses accrued at year-end must be paid by March 15 of the following year. Bonuses to owners must be paid by 12/31/23 to deduct them in 2023.

Maximum 401(k) deferral is \$23,000 for 2024, \$30,500 for those aged 50 and over.

Rents paid to related cash basis parties must be paid by December 31st to deduct the expense in 2023.



Thank you!

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