CITRINCOOPERMAN®

YEAR-END PLANNING GUIDE FOR DEALERSHIPS



2025-2026

Focused on Driving Your Business' Success

Our annual guide was designed to equip dealership principals, general managers, CFOs, and controllers with essential tools for effective planning, including insight into the tax implications of the One Big Beautiful Bill Act for both dealerships and their owners. Our professionals are recognized for their deep knowledge in developing tax strategies and responding quickly to the opportunities and challenges that emerge.

As the industry faces evolving challenges — such as the effects of tariffs on vehicle and parts inventory, fluctuating consumer demand, and rising interest costs — strategic leadership is crucial for effectively navigating these complexities.

Citrin Cooperman's Dealership Industry Practice is committed to helping dealers achieve growth and long-term success. Leveraging deep industry expertise, we guide dealerships in implementing best practices and provide strategic guidance on key decisions including acquisitions, sales, and cash flow forecasting.

We hope this guide provides you with the essential insights to support your strategic planning for the year ahead. By adopting collaborative foresight and proactive strategies, your dealership will be well-positioned to confidently navigate market shifts and achieve sustainable success.

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Tax Tips and Planning

This section provides insights on the latest tax tips and planning strategies for dealerships and the ways in which we can help, so you can focus on what counts: securing a successful future for your dealership.

On July 4, 2025, the One Big Beautiful Bill Act (OBBBA) was passed into legislation. There are references to this new legislation and how it impacts the industry throughout this section. Many of the provisions of the Act were extenders of the Tax Cuts and Jobs Act (TCJA) passed in 2017. If you have questions about how this legislation impacts your business, please contact your Citrin Cooperman professional for additional guidance.

Demo Vehicles

- The value of the personal use of a company vehicle by an employee is required to be calculated monthly using an Internal Revenue Service (IRS)-defined formula and included in the employee's monthly gross wages, subject to mandatory withholding.
- Use tax must be calculated and paid either monthly or quarterly for a mixed-use vehicle based on a formula defined in the various state sales tax publications.

Loaner Vehicles

- Consideration needs to be given as to whether a loaner vehicle is subject to use tax. The tax treatment may depend on whether the customer is contractually entitled to the use of a loaner vehicle.

401(k)

- Contributions and loan repayments withheld from employees must be paid into the plan on, or shortly after, the payroll issued date.

- Review your internal audit needs. Recent Department of Labor (DOL) changes require a certified audit when the plan reaches 100 participants with an account balance. Previously, the test was 100 or more eligible participants, even if they had a zero-dollar balance.

Payroll

- Form I-9: All employees must complete Form I-9 for employee status verification purposes.
- Form W-4: Employees should update their Form W-4 for the new tax year.
- Pay Plans: Employers are advised to review with legal counsel and update regularly.

Third-Party Sick Pay

- Include the reportable amount of sick pay paid to the employees by the insurance company on the employees' Form W-2s as well as the amount withheld for income taxes.

Health Insurance Premiums

- Premiums paid on behalf of a shareholder who owns more than 2% of an S corporation are taxable as wages and reported on Form W-2. For limited liability company (LLC) members, the premiums are considered guaranteed payments to be reported on the member's K-1.

Self-Employed Retirement Benefits

- Frequently in an LLC, self-employment retirement expenses are left in the employee benefit section of the profit and loss statement. These amounts should be considered guaranteed payments, similar to those of the health insurance premiums, as noted above.

Affordable Care Act

- Confirm with your health insurance provider that the coverage provided to employees meets the new requirements under the Affordable Care Act. The service provider should complete Form 1095-C – Employer-Provided Health Insurance Offer and Coverage.

Travel and Meal Expenses

- Travel expenses are deductible in full for 2025. For 2025, meals purchased from a restaurant for employees are 50% deductible. However, such meals will no longer be deductible beginning in 2026. Other meal expenses, such as breakroom snacks, will remain deductible as de minimis, subject to the 50% cap. Expenses incurred for holiday parties, promotions, and on-site employee meals are fully deductible. Consider separating these expenses accordingly into different accounts: 100% deductible meals, 50% deductible meals, and travel.

Entertainment

- Entertainment expenses, such as expenses incurred for amusement, recreation, or club membership dues (i.e., golf), are not deductible. These expenses should be posted to separate general ledger accounts. Business meals incurred at an entertainment event are still deductible, subject to limitations noted in the Travel and Meal Expenses section above.

Sales and Use Tax

- Review out-of-state sales (in dollars) and the annual volume of transactions. For example, if your parts department sells parts over the internet or telephone and ships them out-of-state, your dealership may be required to collect and remit sales tax to those states, even though the dealership does not have any physical presence there.
- Review for any use tax obligations. When transacting out-of-state purchases with vendors that collect sales tax at a rate less than the state of domicile, the dealership may be liable to pay the difference in rates to the state where it conducts business.
- Review whether vendors are properly charging sales tax on purchases. For example, some vendors do not include sales tax on machinery when sold to a dealer. However, these purchases are usually subject to sales tax. In addition, registered company vehicles, either purchased from other dealers or transferred from used vehicle status, are subject to sales tax.
- If your dealership is charging a service charge for the use of credit card payments, check to determine if sales tax is being charged on the taxable portion of the service charge.
- Confirm that signed exempt forms are being collected from vendors and maintained for wholesale transactions involving the parts and used vehicle departments.

Employee Fringe Benefits

- Employee fringe benefits, including transportation and on-site gym fees paid by employees, are not deductible. These expenses should be posted to separate general ledger accounts. Conversely, employers are not required to report these fringe benefits as income to employees.



OBBBA Updates to Section 163(j): Non-Floor Plan Interest

- **Return to EBITDA-Based Limitation**
  The adjusted taxable income (ATI) calculation reverts permanently to an EBITDA basis (earnings before interest, taxes, depreciation, and amortization), increasing the deductible interest cap for many businesses.

- **Expanded Floor Plan Financing Exception**
  The definition of "motor vehicles" now includes towable campers and trailers designed for temporary living quarters, allowing more dealerships to benefit from the floor plan interest exception.

- **Elimination of Elective Interest Capitalization**
  Elective strategies to capitalize interest under Sections 263(a) or 266 to avoid the 163(j) limitation are no longer permitted after 2025. Only interest required to be capitalized under Sections 263(g) and 263A(f) remains exempt.

- **Capitalized Interest Now Subject to Limitation**
  Interest capitalized into inventory or fixed assets is now subject to the 163(j) limitation, reducing the ability to recover interest through cost of goods sold or depreciation.

Section 199A: Partnerships or S Corporations

- OBBBA legislation made section 199A QBI deduction permanent.
- Business owners could be eligible for the 20% deduction on qualified business net income from partnerships or S corporations originating from dealerships or realty companies, provided the entity qualifies as a trade or business defined by the IRS.
- In certain circumstances, owners of a dealership are personally recognizing income related to the dealership (i.e., reinsurance rebates). To maximize the Section 199A deduction, a dealership, rather than the individual owner, should consider recognizing this income.

Section 45W: Qualified Commercial Clean Vehicle Credit

- Expiration Date: Credit ends for vehicles acquired after September 30, 2025.
- Up to a $7,500 tax credit is available to defray up to 30% of the incremental cost of replacing diesel- or gas-powered commercial vehicles under 14,000 pounds (cars, pick-up trucks, utility vans) with full electric vehicles (EVs).
- Up to a $40,000 tax credit is available to defray up to 30% of the incremental cost for commercial vehicles over 14,000 pounds (larger vans, buses, refuse trucks, long haul trucks) with full EVs. Up to a 15% credit for the replacement of qualifying vehicles with cleaner, but non-EV, alternatives are also available.
- Further details on the credit can be found in the Inflation Reduction Act of 2022 - Vehicle related credits.

Energy Tax Credits

Buyers can transfer some tax credit to dealers at the time of sale to be used as a down payment. Not all energy credits are transferable under Section 6418, only those specifically enumerated under the 6418 Treas. Regs. For example, the 25D, 45L credits and 179D deduction are not transferable. Dealers need to register on the IRS Energy Credits website to participate. Dealers must then submit a “time-of-sale” report, which confirms vehicle eligibility for a credit. If an eligible credit is transferred, the dealer can reduce the purchase price or provide cash to the buyer. Dealers should receive reimbursement from the United States (U.S.) Treasury within 72 hours.

The OBBBA accelerated the termination of several energy credit and deduction provisions as noted in the chart below provided by the IRS.

CODE SECTION	SECTION TITLE	TERMINATION DATE
25C	Energy efficient home improvement credit	The credit will not be allowed for any property placed in service after December 31, 2025.
25D	Residential clean energy credit	The credit will not be allowed for any expenditures made after December 31, 2025.
25E	Previously-owned clean vehicles credit	The credit will not be allowed with respect to any vehicle acquired after September 30, 2025.
30C	Alternative fuel vehicle refueling property credit	The credit will not be allowed for any property placed in service after June 30, 2026.
30D	New clean vehicle credit	The credit will not be allowed for any vehicle acquired after September 30, 2025.
45L	New energy efficient home credit	The credit will not be allowed for any qualified new energy efficient home acquired after June 30, 2026.
45W	Qualified commercial clean vehicle credit	The credit will not be allowed for any vehicle acquired after September 30, 2025.
179D	Energy efficient commercial buildings deduction	The deduction will not be allowed with respect to any property the construction of which begins after June 30, 2026.

Form 1099

Review all payments made to unincorporated entities and certain service providers during the year to determine who was paid $600 or more and is eligible to be issued a Form 1099. A policy should be implemented to collect a Form W-9 for all vendors that the dealership reasonably expects to make payments to that equal or exceed the $600 limit. The IRS requires backup withholding on checks issued to 1099-eligible vendors who fail to complete a Form W-9 and provide a taxpayer identification number.

Due Dates

- Form 1099-Misc: Issued to recipient(s) – January 31, 2025. When filing with IRS, if you choose to file paper forms, the deadline is February 28, 2025. The electronic filing deadline is April 1, 2025, for the 2025 tax year.
- Form 1099-NEC: Issued to recipient(s): File with IRS by January 31, 2025.
- No extensions are available for filings of 1099-NEC.
- Form 1099 must be issued to lawyers regardless of whether or not the lawyer or law firm is an organized corporation, partnership, S corporation, etc.

State Pass-Through Entity Tax

- Many states and jurisdictions have adopted similar Pass-Through Entity Tax (PTET) pronouncements that enable flow-through businesses, such as S corporations and partnerships, to elect to pay and deduct the state income taxes on the owners' share of income at the federal entity level, rather than at the federal personal income tax level. These changes to various state and jurisdiction tax laws provide a deduction to net income-reducing federal taxable income. The PTET rules are complicated and differ from state to state. Please reach out to your tax consultant for guidance.
- Keep in mind, PTET payments are deductible only in the year in which they are paid. Make sure all PTET payments are paid before year-end to secure the deduction.
- Different states have hard deadlines on when to make a PTET election. Be cognizant of the deadline date so that the entity does not miss out on the opportunity to participate in the filing.

State and Local Tax (SALT) Cap Temporarily Increased by OBBBA Legislation

The individual SALT deduction cap was raised to $40,000 in 2025, with annual increases through 2029:

2025: $40,000	**2027–2029:** Increases by 1% annually
2026: $40,400	**2030 AND BEYOND:** Cap reverts to $10,000

Phase out for SALT cap increase has a phaseout for married and single filers starting at $500,000 MAGI (Modified AGI) which decreases the deduction by 30% until fully phased out at $600,000 and reverts back to $10,000.

Customer Information Safeguards

- Effective June 9, 2023, dealerships are required to comply with updated safeguards related to customer information. Penalties can be significant if safeguards are not in place.

Form 8300

- In addition to filing Form 8300 with the IRS, a dealership must provide a written annual notice by January 31 of the following year to each person from whom the dealership received over $10,000 in cash and cash equivalent payments and for which a Form 8300 was filed.
- Review the past year's Form 8300 filings for potential errors and verify no filings have been unintentionally omitted. Starting January 1, 2025, certain businesses need to electronically file (e-file) Form 8300, rather than file a paper return. The new requirement, announced by the IRS, pertains to businesses that are already obligated to e-file particular information returns, such as Form 1099 and Form W-2, as well as those mandated to file 10 or more information returns, excluding Form 8300.

Quarterly Estimates

- Make sure that quarterly estimates due to federal, state, and local jurisdictions (if applicable) are paid in a timely manner. Consider reviewing your quarterly financial statements to determine any notable increases or decreases in income and to assess whether any unexpected changes in income will require revisions to estimated tax payments at the end of the year.

Transactions and Calculations

In this section, we review a few ways we can help you improve cash flow and make knowledgeable investment decisions.

Transactions

Cash and Investment Accounts

- Prepare all bank reconciliations. Review and investigate old outstanding items for potential year-end adjustments and consider reporting unclaimed property to state agencies, especially Department of Motor Vehicles (DMV) checks. It is the dealership's responsibility to ensure that DMV checks are reissued in a timely manner to prevent hefty fines.
- Review the cash clearing accounts to ascertain that there are no unusual transactions in the account. Make sure that all balances are current and will clear in the subsequent month.
- Interest and dividends from investments should be recorded in separate accounts from that of the cash management account interest. Treasury interest should be identified and posted to a separate account for exclusion at the state level.
- Review your state's unclaimed property rules regarding uncashed checks. Review aged checks on your bank statement and determine if you have made an effort to contact the customer or if it should be remitted to your state's unclaimed property division.

Accounts Receivable

- Review the aging of all receivable schedules, including contracts in transit and employee receivables.
- Determine why old outstanding receivables are not being collected. Is it a customer credit issue or is the lack of collection due to poor dealership operations?

- Make sure one pays or other forms of promissory notes to new and used vehicle customers are not being abused by the sales department.
- Parts and service receivables – revisit customers' available credit. Consider reducing credit limits.
- Manufacturer receivables (i.e., holdback, incentives, rebates, floor plan assistance, and warranty) determine why receivables are outstanding beyond normal payment terms. Typically, problems are a result of dealership issues and not the manufacturer (i.e., warranty submission and delivery reporting). It is critical that dealership personnel follow manufacturer guidelines for challenge dates on programs so that they do not give up the right to collect on a receivable.
- Write off any uncollectible balances, after proper authorization. To prevent having to write off any uncollectible balances, consider placing customers with outstanding receivables over 60 days on an "inactive" status, thereby creating a credit hold until the balance is brought current. A weekly review should also be completed.
- Review credit balances on the schedules for proper application of consumer accounts or potential year-end adjustments.



Calculations

Year-End Prepaid and Accrued Expenses

- Review the prepaid schedules and recalculate the actual prepaid balance. Adjust at year-end, if necessary.
- Review any expenses where services or goods have been received but not yet paid for. Look for any missing invoices that will be received after the year-end.

Fixed Assets (Updated for OBBBA Legislation)

- **Depreciation Schedule Review**
  Continue to review the fixed asset depreciation schedule and take inventory of assets such as furniture, computers, and specialized tools. Identify and remove any assets no longer in service.
- **Capitalization Policy**
  Maintain awareness of your company's capitalization thresholds. The IRS de minimis safe harbor election still allows expensing purchases under $2,500, or $5,000 for businesses with audited financial statements. Ensure all additions are properly classified and include related costs (i.e., freight, sales tax, delivery, installation).
- **Section 179 Deduction – OBBBA Update**
  - The maximum Section 179 deduction has been permanently increased to $2,500,000, up from $1,220,000, for property placed in service in tax years beginning after December 31, 2024.
  - The phase-out threshold has also been raised to $4,000,000 (previously $3,130,000), allowing more businesses to fully expense qualifying purchases before the deduction begins to phase out.





» These limits will be adjusted for inflation annually starting in the 2026 tax year.

» Section 179 allows dealerships to immediately expense qualifying property such as vehicles, equipment, furniture, and certain building improvements, rather than depreciating them over time.

- **Bonus Depreciation – Permanently Extended**
  Under OBBBA, 100% bonus depreciation is now permanent for qualifying new and used assets placed in service after January 19, 2025. This includes leasehold improvements (excluding internal structural framework, building enlargements, elevators, and escalators).

- **Cost Segregation Studies**
  Dealerships that construct or acquire buildings or make significant leasehold improvements should evaluate the benefit of a cost segregation study. These studies can accelerate depreciation and increase current-year deductions.

- **Demo and Company Vehicles**
  Continue monthly write-downs for demos and company vehicles such as loaners. At year-end, adjust book values accordingly. Service units (e.g., parts vans, plow trucks) are depreciable assets and should not be written down monthly.

- **Sales and Use Tax on Fixed Assets**
  Review all fixed asset purchases to ensure proper sales tax was charged. If not, include the applicable use tax on your next sales and use tax return.

- **Luxury Vehicle Depreciation Limits**
  Passenger vehicles under 6,000 pounds placed in service during 2025 remain subject to IRS luxury vehicle depreciation limits. Vehicles over 6,000 pounds may be exempt and qualify for full Section 179 expensing.

Accounting, Inventories, and Expenses

It is crucial for dealership leaders to stay informed about the latest standards and regulatory updates as the market continues to evolve. In this section, we provide new perspectives on strategies that can help improve your dealership's bottom line.

Accounting

Finance Reserves

- Reconcile all receivables from financial institutions, per general ledger, to the financing source statement.
- Any unrecorded adjustments and chargebacks should be made at year-end.

Rental Units

- If the dealership has leased rental units, the value of the rental units should be included on the balance sheet along with the liability (pay-off) amount.
- Review the valuation for rental units at year-end and adjust the book value accordingly.

Floor Plan

- Reconcile the floor plan statement to the general ledger.
- Investigate any unusual or old reconciling items.
- Accrue all floor plan interest and charges related to year-end.
- Review your floor plan balance on a regular basis. To prevent any unnecessary interest, make sure that after the floored vehicle is sold, the floor plan balance is paid off within 10 days.

Notes Payable and Leases

- Review the statement and match principal balance to the trial balance.
- Review the amortization of the loan and reclassify the current and long-term portion of the note. Accrue loan interest expenses.



Inventories

Parts

- Take a physical parts inventory on an annual basis. Having an outside company conduct the parts inventory is advised. Ensure that the general ledger is being compared and reconciled to the parts' physical inventory results. If no physical parts inventory is performed at year-end, reconcile parts inventory to the pad and general ledger.
- The parts manager should:
    1. Review the parts inventory for any slow-moving or damaged inventory.
    2. Return parts to the manufacturer. Make sure the parts manager is aware of the manufacturer's parts return policy. The parts manager should be taking advantage of parts returns throughout the year.
    3. Identify any obsolete inventory that is not allowed to be returned and needs to be written off after proper authorization.

Vehicles

- If the last-in, first-out (LIFO) inventory method is used, make sure that the required 12th period LIFO adjustment is made on the Factory Financial Statements. A “what if” analysis is acceptable when estimating the LIFO reserve.
- If the lower of cost or market (LCM) inventory method is used for new vehicles, consider writing down older model year vehicles.
- Identify the floor plan assistance (FPA) for each new vehicle and include it as inventory cost reduction on new vehicle inventory. This adjustment is only allowed if the dealership has adopted the accounting method of capitalizing floor plan assistance, rather than offsetting floor plan assistance against floor plan interest expense.
- Used vehicles: If the LCM inventory method is used, write down used vehicles to valuations listed in official used car guides (i.e., Galves, NADA) as the average wholesale price for a comparable vehicle. Each used car vehicle must be written down individually. You cannot write down used vehicles by using an overall reserve method (i.e., fixed percentage). If the vehicles are packed, the cost of the vehicle, for the purpose of calculating used vehicle write down, is the amount in inventory less the pack amount.
- If inventory values include “hard” packs, the balance of pack accounts should be reviewed and adjusted to account for the actual number of vehicles in inventory at year-end.



Work in Process (WIP)

- Review the open repair order (RO) report and reconcile WIP (including WIP accrual) to the general ledger (GL). Make sure that differences between WIP and GL are analyzed.

Uniform Capitalization Adjustment

- Prepare the annual IRS Section 263A inventory adjustment if your dealership is subject to the rules.

Accounts Payable and Accrued Expenses

- Accrue all year-end expenses. Any accrued expenses must be paid within two and a half months after year-end.
  - » Normal salaries and pay plans
  - » Employee benefits (medical, 401(k), etc.)
  - » Advertising
  - » Rent (Note: Rents paid to related cash basis parties must be paid by year-end in order for the dealership to deduct the expense during the year.)
  - » Utilities
  - » Manufacturer audit chargebacks
  - » Litigation settlements that have not been paid
- Keep accounts payable open as long as possible to capture all expenses.
- Year-end bonuses and year-end salary accruals to owners of a dealership are not deductible for tax purposes.
- Reconcile the manufacturer's open parts statement to the general ledger. Investigate any unusual or old reconciled items.
- Intercompany: If applicable, reconcile balances due to and from intercompany or related companies. If possible, settle/pay intercompany balances before December 31.

Reinsurance Companies

- Reconcile all payments made to the reinsurance company to the documents provided by the administrator. Make sure all payments and deals are recorded by the administrator.
- Have all payments made to the reinsurance company by year-end. Accrue the December transactions at year-end.
- Obtain the IRS warranty adjustment using the service warranty income method (SWIM) from the reinsurance administrator.

- After year-end, request a copy of Form 8886 from your administrator. It is important to consult with your administrator on the details of your reinsurance structure and performance. Recent legislation has changed reporting requirements. It may be beneficial to file a protective disclosure if you are unsure if your current plan meets the requirements for a disclosure. Your Citrin Cooperman professional can help guide you in this decision.
- Request Form 1099-DIV from the reinsurance administrator for any dividends issued during the year.

Expenses

Owners of the Dealership

- Determine the interest on loans with the owners of the dealership or any other related entity. Make sure the calculated interest is received or paid by year-end.
- If the dealership operates as an S corporation, ensure that all shareholder distributions are made in proportion to their ownership interest. If not, make a distribution to match based on year-end percentages.
- If the dealership operates as an LLC, it is recommended that member distributions and contributions be made in proportion to each member's ownership interest. Guaranteed payment schedules and/or work papers must be maintained and agreed to GL accounts. These payments, made to the owners, must be in accordance with written agreements.
- Review shareholder or member basis to determine if there is sufficient tax basis for the shareholder to take tax losses on their individual return.
- Create and maintain a schedule of taxes paid on behalf of the owner. Include tax type paid, payee, date, and amount paid.

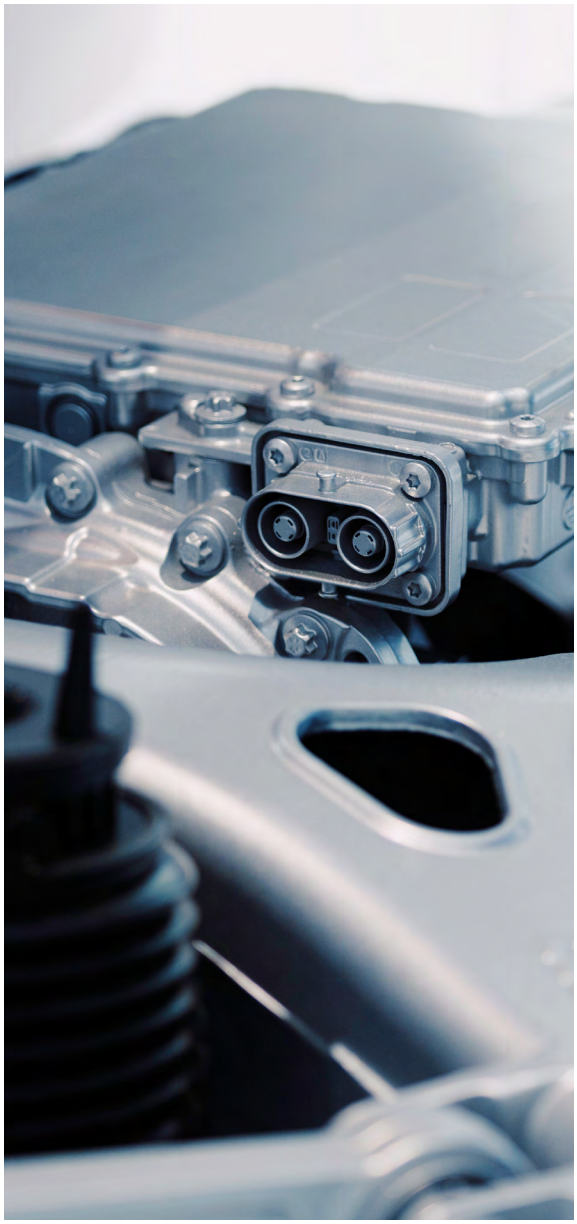
Expenses

- Corporate Taxes: Maintain a schedule of when the estimated federal, state, PTE, and city corporate income/franchise taxes were paid. Include payee, amount, and payment date.
- Non-Floor Plan Interest: Make sure interest not related to floor plan is segregated in a separate account from floor plan interest.
- Cash management account (CMA) interest income should be separately accounted for on your trial balance.
- Segregate out officer life insurance and other non-deductible expenses.



Financial Statements

Financial statements are critically important for dealerships as they provide a comprehensive snapshot of the business' financial health and operational performance. Monthly accuracy is paramount for compliance, comparability across dealerships, monitoring inventory, cash flow, alignment with industry requirements, and ultimately provides management with strategic decision-making capabilities.



Generating Financial Statements

When generating financial statements, dealerships must perform a timely and accurate closing of the month. This includes performing a series of critical steps to ensure accuracy, compliance, and completeness.

- Balance Sheet: This provides a snapshot of your dealership's financial position at a moment in time. It lists your assets, liabilities, and equity which details how strong the dealership is. It also shows your working capital, which has required targets from the manufacturer.
- Income Statement: This shows your revenue and expenses over a period of time. This statement can reveal trends over time, such as fluctuations in sales or changes in cost structures.
- Year-End Adjustments: Can be posted to the 13th month. These are adjustments that the dealership prefers not to record under normal operations such as determining the LIFO write-downs, account write-offs, depreciation, and various tax adjustments.



Key Financial Metrics

Financial statements for dealerships help identify key metrics including:

- Front-end gross profit
- Back-end gross profit
- Inventory turn-over/aged inventory
- Liquidity
- Working capital
- Days sales outstanding
- Debt-to-equity
- Labor rates
- Penetration rates

Knowing where these metrics stand in real time can provide leadership with accurate data to make better informed decisions.

Using Your Financial Statements

- Comparisons: Review current financials against prior periods to see if any trends are developing. A few good comparisons to use include comparing this month to last month, comparing this month to the same month last year, or comparing against your 20 Group or peers.
- Budgeting and Forecasting: Timely and accurate financial reporting is essential for dealerships to align their financial resources with strategic objectives. This provides management with the opportunity to set benchmarks and performance targets, hold departments accountable, and provide opportunities for improvement. It provides timely decision-making capabilities.
- Covenant Compliance: Financial statements are critical for determining compliance with bank and manufacturers' covenant requirements.

U.S. GAAP vs. Income Tax Basis Reporting

Dealerships must consider the implications of both U.S. GAAP and income tax basis when reporting financial information. Dealerships should carefully evaluate their reporting requirements and choose the method that best fits the business model and financial reporting needs.

Key differences include:

	U.S. GAAP FINANCIAL STATEMENTS	INCOME TAX-BASED FINANCIAL STATEMENTS
Purpose	Ensure financial reporting is transparent, consistent, and reliable for owners, investors. and creditors	Minimize company's tax liability in compliance with the tax code
Governing Authority	Financial Accounting Standards Board (FASB)	Internal Revenue Service (IRS) and other local tax authorities
Accounting Method	Accrual Basis: Revenue is recorded when earnings and expenses deducted when incurred	Cash or Accrual Basis: Cash Basis records revenues when collected and expenses when paid
Depreciation	Straight-line depreciation over the life of the asset	Accelerated MACRS utilizing Section 179 and Section 168(k) bonus depreciation allowing significant deductions in the year the assets are placed in service
1031 Gains	Full recognition of the gain on the exchange	Defers all or a portion of the gain
Vehicle Write-Downs	Requires write-down when the market value declines using the lower of cost or market (LCM)	Choice of methods such as specific identification or LIFO
Pass-Through Entity Tax	State-level PTE tax paid on behalf of the shareholders or partners is considered a distribution	State-level PTE tax paid on behalf of the shareholders or partners is considered an expense
ASC 842, *Leases*	All leases greater than 12 months must be capitalized on the balance sheet	Lease expense is recorded when paid
ASC 326, *Credit Losses*	Estimate future credit losses	Write off receivables when they are deemed uncollectible
ASC 606, *Revenue Recognition*	Recognizes revenue when the customer obtains "control" of the good or service regardless of when cash is received	Recognizes revenue when it is determinable
ASC 718, Stock-Based Compensation	Focus on fair value accounting and recognizing the expense over the vesting period	Tax deduction is taken when employee recognizes the income or pays tax on the award
ASC 710, Deferred Compensation	Recognizes compensation expense when payment is probable and estimable	Tax deduction is taken when employee is taxed on the compensation

Results

Complying with accounting standards ensures accurate financial reporting and enhances credibility. It also positions dealerships for long-term growth and profitability in an ever-evolving industry.



Risk Advisory

In today's fast-paced and unpredictable business environment, resilience is a competitive advantage. For dealerships, where success hinges on operational efficiency, customer trust, and constant inventory flow, a single disruption can result in lost sales, missed service appointments, and damaged reputation. This section provides a cybersecurity checklist to assist dealership leaders with fortifying against potential attacks.

Cybersecurity Checklist

- Ensure all Dealer Management System (DMS) users have unique logins with strong, regularly updated passwords and multi-factor authentication (MFA).
- Educate sales, service, and finance teams to spot phishing emails (e.g., fake lender notices or DMV messages) and social engineering tactics.
- Regularly update and patch all systems and install endpoint protection on sales desktops, service tablets, F&I computers, and diagnostic devices.
- Limit and monitor external vendor access (e.g., CRM tools, financing platforms) and require them to follow security protocols.
- Conduct third-party penetration tests annually to identify and remediate vulnerabilities in your dealership's networks, websites, and applications.
- Ensure all systems that handle credit card data meet Payment Card Industry Data Security Standard (PCI DSS) requirements.
- Perform a comprehensive cyber risk assessment of your dealership each year to evaluate threats, vulnerabilities, and the effectiveness of current controls.
- Develop and test a clear plan for handling cyber incidents affecting key systems such as DMS access, customer PII, payment processing, or inventory feeds.

About Us

Inside Citrin Cooperman's Dealership Industry Practice

Citrin Cooperman's Dealership Industry Practice provides strategic, concierge-level financial and consultative services to clients in the automotive, commercial truck, machinery and equipment, and recreational dealership sectors. Our team of professionals brings deep industry knowledge to every engagement, delivering tailored solutions with a commitment to excellence. We collaborate with visionary dealers who value insight, responsiveness, and client experiences that feel as elevated as the brands they represent.

About Citrin Cooperman

Citrin Cooperman is one of the nation's largest professional services firms. Since 1979, we've steadily built our business by helping middle-market companies and high-net-worth individuals find practical, actionable solutions to help them meet their short-term needs and long-term objectives. Our clients span a diverse array of industry and business sectors and find sustainable growth through utilizing our menu of comprehensive personal and professional services.

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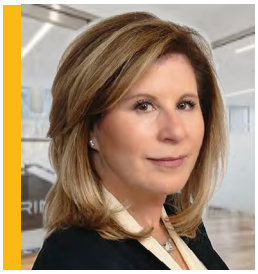
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Meet the Contributors



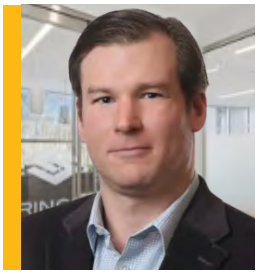
Wilfredo Fernandez | Partner and Dealership Industry Practice Co-Leader

Will is an accounting and tax partner specializing in serving clients in the auto dealership industry. He works closely with dealers on tax projections and implications regarding mergers and acquisitions. Will also provides strategic planning for high-net-worth individuals.



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Ellen is a partner focusing on the dealership industry where she delivers value by pairing her expertise with specialized services, including consulting on complex tax matters and helping clients implement best practices.



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Phil is a partner specializing in dealership consulting, dealership valuations, automotive technology companies, tax and financial statement engagements, transaction advisory, and real estate and cost segregation accounting, with deep expertise in operational analysis, benchmarking, and cash optimization for retail dealers.



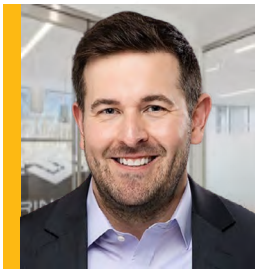
Kevin Ricci | Partner, Risk Advisory and Compliance Practice Cybersecurity Practice

Kevin has extensive experience in technology services including consulting, security assessments, cybersecurity awareness training, social engineering simulations, IT auditing, fractional CISO, project management, data analysis, and compliance services including PCI DSS, for which he is a Qualified Security Assessor (QSA).



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Erin has worked extensively with car dealerships throughout her career and is highly skilled in providing tax, accounting, and management advisory services to clients with vast experience in business consulting, tax compliance, and audits.



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Craig is an accomplished accounting and tax professional with dedicated experience serving dealership clients. He leverages his extensive knowledge to uncover new opportunities for his clients, offering strategic tax planning, opportunity identification, and comprehensive consulting services tailored to dealership clients and their family enterprises.



Ann Torno | Partner, Dealership Industry Practice

Ann provides accounting, tax, and business advisory services to her clients. With a focus on automotive dealerships, she advises on a range of matters, such as profitability planning, state residency issues, estate planning, and year-end tax reporting.



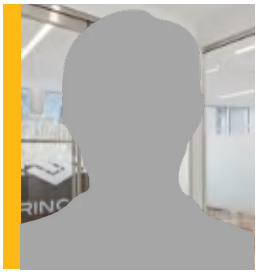
Christine Valaouras | Partner, Dealership Industry Practice

Christine is a partner with a wealth of audit and assurance experience advising clients in a wide array of industries. She specializes in assisting CFOs and controllers with interpreting and applying financial accounting standards and resolving accounting and auditing issues.



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Joe is a director with diverse experience advising clients on a wide variety of accounting, tax, and business operations issues. His practice mainly focuses on automotive dealerships, but he also has clients in real estate and construction.



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Joe is a director with experience providing accounting, tax, and consulting services to both public and private companies in the automotive dealership and real estate industries. His expertise also includes tax consulting and compliance for high-net-worth individuals.

YEAR-END PLANNING GUIDE FOR DEALERSHIPS 2025-2026

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