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THE ALTERNATIVE FUEL VEHICLE REFUELING PROPERTY CREDIT

Ford Motor Company recently announced an ultimatum to dealers wanting to be electric vehicle dealers: Become certified to sell fully electric vehicles and invest in the infrastructure necessary to sell them, or you're out. The ultimatum can be met by way of one of two tiers. The higher tier will require dealers to invest up to $1.2 million for the installation of at least two fast-charging stations at each store. The lower tier will require dealers to invest in one fast-charging station at each store.

Barton D. Haag
Albin, Randall & Bennett, CPAs

The program is set to begin January 1, 2024, and end at the close of 2026. Dealers have until October 31, 2022, to decide whether they wish to participate in the program, and those that do not will have another opportunity to opt into the program in 2027. All dealers that opt in must agree to sell their vehicles at no-haggle prices within parameters set by Ford, and Ford will list those prices on their sales portal. Elite dealers will be able to have demo units and carry electric vehicle inventory; however, those on the standard tier will only be able to place orders for purchases.

The Inflation Reduction Act expanded and added to the electric vehicle tax credits available to eligible auto dealerships. The Act gave rise to The Clean Vehicle Credit, a reconfigured and expanded version of the Qualified Plug-in Electric Drive Motor Vehicle Credit. In addition, the legislation expanded the Alternative Fuel Vehicle Refueling Property Credit to include eligible electric vehicle charging stations. These tax credits can help electric vehicle dealerships meet Ford's demands.

Beginning January 1, 2023, fueling equipment, including electric vehicle charging stations installed through December 31, 2032, will be eligible for an

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Alternative Fuel Vehicle Refueling Property Credit of 30% of the cost or 6% in the case of property subject to depreciation (not to exceed $100,000).

This credit cannot be used to cover permitting and inspection fees, and in order to get the full 30% credit, eligible projects must meet apprenticeship and prevailing wage requirements. In addition, the charging station must be installed in a location that meets specific census tract requirements. The location must be:

✔ a population census tract with a poverty rate of at least 20%; or

✔ a metropolitan and non-metropolitan area census tract with a median family income of less than 80% of the state's median family income level.

Suppose a dealership meets these requirements, becomes certified and makes the full investment of $1.2 million. In this case, the dealership may qualify for an Alternative Fuel Vehicle Refueling Property Credit of $200,000 (limited to $100,000 per station), which brings the investment expense down to $1,000,000. If the dealership also receives a $290,000 federal tax benefit (at 29%) and a $70,000 assumed state tax benefit (at 7%), the out-of-pocket cost for the investment would be $640,000.

Additional electric vehicle-related grants and credits from states and utility companies may become available. The calculation and qualification for these credits is complicated. A careful analysis should be done before relying on receipt of the credit to help fund a project.

Contact your AutoCPAGroup member for more electric vehicle information. ✍

ACCOUNTING INFORMATION SYSTEMS AND CYBERSECURITY IN THE AUTOMOTIVE INDUSTRY

Joe Cottone
Spoor Bunch Franz

An accounting information system (AIS) plays a critical role in any business. It is designed to capture, process, maintain/store and distribute business transaction information pertaining to the transaction cycles (i.e., revenue, expenditure, production and reporting cycles). The central objective of an AIS is to process financial information, but it also processes nonfinancial transaction data (e.g., a new employee or supplier). Without reliable data, an AIS serves no purpose.

Data has become the bedrock for most companies' business process model, ranging from strategic planning to customer service. When data is used effectively, it enables management to foresee trends, recognize opportunities and maintain a competitive advantage by understanding consumer behavior and anticipating changes in the market. Data interpretation will greatly aid informed decision-making and allow your company to experience growth and prosperity.

Utilizing an AIS has numerous benefits, but with that comes increased risk and more responsibility, particularly because customer data is being collected and stored on the system. If a company utilizes an AIS, it should also have a control framework—the policies and procedures put into practice to prevent, detect and correct threats, or recover after a successful threat event (threats being both internal and external). A number of relevant control frameworks to guide management toward proper information technology (IT) governance and risk management. To name a few, there are the COSO, COBIT and NIST frameworks to choose from. Keep in mind that not one of these frameworks are all-encompassing for 100% security.

Unfortunately, as your company amasses data, the chances of its becoming a cybercriminal's target only increases. One of the preferred attack vectors on dealerships is ransomware. The ransomware threat, among others, is perpetually evolving. It is a form of malware usually implanted into the victim's system by clicking on a phishing email. Data, documents and files will be encrypted (made inaccessible) and possibly retained until the attacker receives payment, generally in the form of bitcoin.

Due to the heightened work-from-home environment, 2021 realized a significant increase in the occurrence, cost and response time of cyberattacks. According to SonicWall, the volume of ransomware attacks in the first three quarters of 2020 (199.6M) compared to 2021 (495.1M) increased almost 150%. The average total cost of a data breach in the retail industry increased to $3.27 million in 2021 from $2.01 million in 2020, a 63% spike as IBM's Cost of a Data Breach Report. Personally identifiable customer information is the most costly to recover, averaging $180 per compromised record. It took the most amount of time in 2021 to identify (212 days) and contain (75 days) a data breach.

Cyberattacks are a real, costly and unnecessary threat. A myriad of approaches exists to help prevent and mitigate the financial burden of a data breach. Some recommendations include:

✔ Adopt a zero-trust security model

✔ Invest in security orchestration, automation and response (SOAR)

✔ Develop and stress test your incident response plan

✔ Use policy and encryption to protect data in the Cloud environment

✔ Invest in updated systems, governance, risk management and compliance programs

As previously mentioned, if your business is growing, so is the data it collects, and with more data come more cybercriminals. The difficulty of thwarting a cyber threat is evident, and with the recent trajectory, it seems the burden will continue to intensify. If this concerns you, please contact your AutoCPAGroup member today to see how they can help you. ✍

NAVIGATING EMPLOYEE RETENTION CREDIT PROMOTIONS

Gregory Porter
Porter & Company, PC

Much is being written and discussed about the Employee Retention Credit (ERC). Every day dealers are bombarded with letters and emails from "experts" telling them that they qualify for the ERC, it is worth up to $26,000 per employee, it is the dealer's money to claim, their CPA probably does not know about the credit or understand the rules, and the promoter is the expert and the only one who can get the dealer the money they are due. These promoters go on to say that they have gotten clients millions (or even billions) of dollars in refunds, and time is running out, so act fast before it is too late! They assure dealers that none of their clients have ever paid back any of the refunds claimed (100% success rate) and if the dealer is unlucky enough to get audited, the promoter has a team of experts to defend the claim with the IRS and insurance to cover any claims in the highly unlikely event the IRS were to win. Dealers who sign up with these promoters often don't tell their CPA or attorney that they have hired the promoter until after the refund claims are done and filed and the promoter has been paid. The promoter usually does not want these people involved.

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Dealers are smart and know that if something sounds too good to be true, it probably is. ERC is no exception. Those dealers that qualify for the credit, should claim it. Congress made it available for qualifying businesses that have been impacted by the pandemic to keep the economy going. Your AutoCPAGroup member knows all about the ERC, how to do the calculations correctly (they are complicated), and we will NOT claim credits for which you are not entitled or we cannot defend.

ERC promoters have no such motivation and could frankly care less about you or your business. Many, if not most, of these ERC "experts" did not exist prior to the pandemic. Most are owned by people with either technology or marketing backgrounds. They have great promotional materials and do a terrific job selling their services, and some dealers have fallen prey to their scheme.

Without getting too deep into the details, generally your dealership qualifies for the ERC if in 2021 your gross receipts (i.e., sales) for your store or group of stores fell by more than 20% in the fourth quarter of 2020 or the first three quarters of 2021 vs. the same quarter in 2019. The calculation is done on a quarter-by-quarter basis in 2021. If you meet this objective test, you qualify for at least one quarter of the ERC credit in 2021 and in most cases qualify for two quarters, with 3Q2021 being the exception. There is a higher standard to claim the credit for 2020 that I won't go into here.

The promoters have come up with nonobjective arguments for being able to claim the ERC. A few are legitimate—if you were ordered to close you qualify for the period of closure—but most are a huge stretch. The most common involve either a supply chain disruption argument or changes in business operations (reduced hours, spacing desks, etc.).

The AutoCPAGroup has spent a significant amount of time discussing the ERC rules, including discussions with many other reputable CPA firms outside our group. We know the ERC rules and eligibility calculations to determine whether dealers qualify. In many cases, we have already run the numbers for your dealership. The lesson for dealers is before you jump on the ERC refund train, consider all your specific circumstances and challenge the explanations provided by the promoters. If you are eligible for the credit, by all means, claim it and get the refund Congress meant for you to have. We will be happy to discuss your specific situation with you.

Remember: If it sounds too good to be true, it probably is, so trust your instincts and contact your AutoCPAGroup member for input and advice. We are here for you. ✍