

BHPH Dealer

MAGAZINE



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IT SHOULD BE
A WIN-WIN GOAL

THE GOLDEN OPPORTUNITY

STRATEGIES TO PREPARE FOR A STRONG 2019 TAX SEASON

BY REGGIE PONSFORD

As the U.S. economy continues its steady acceleration in GDP and job growth, more consumers find themselves on stronger financial footing with greater purchasing power.

Several new tax laws and a 25 percent tariff hike on imported vehicles could push subprime consumers away from new car options and into your used car dealership.

The Tax Cut and Jobs Act of 2017 includes a more generous Child Tax Credit – an increase from \$1,000 to \$2,000 per child under the age of 17 – which could lead to refunds of up to \$1,400.

The Earned Income Tax Credit was raised by up to \$6,431 for married taxpayers filing jointly with three or more qualifying children (for households with modest annual incomes).

Additionally, income tax brackets have been revised, with lower rates now covering larger income ranges.

Welcome to a potentially golden opportunity for BHPH dealers, courtesy of Uncle Sam.

Refunds have more than doubled in the past decade. BHPH dealers typically expect up to 50 percent of their annual business to come during tax season. This tax season, dealers have a huge opportunity to cash in, thanks to the latest tax laws and unfolding market dynamics.

Even large lenders have taken notice and are relaxing their credit score requirements to attract the subprime market.

Opportunity is knocking. But there's a lot of competition to answer the door.

Here are three ways to prepare to maximize your revenue during the 2019 tax season.

Start preparing immediately: Now that the PATH Act is federal law (as of 2017), tax refunds won't go out until after Feb. 15.

That means money will not hit buyers' hands until the last two weeks of February or the first week of March, leaving about a 10-day window in which a tsunami of car buyers will be hitting lots.

Your competitors won't wait until then to

act, and neither should you.

So where do you begin?

Get the word out now. Consumers have already begun their research online. Let them know now why they should do business with you through a mix of print ads, online ads and social media.

Also, it's important to make sure you've created clear policies regarding partial payments, asset recoveries and vehicle tracking to support your collection efforts. Those policies will allow you to be flexible and transparent without putting your business at risk.

Differentiate your business: There's a tried-and-true way to stand out from the competition in this business: by streamlining the sales process.

When you can close deals faster, the risk of customers simply walking away to avoid the hassle is greatly decreased.

Initiate a "drive now, pay later" program. There are tax partners out there that can estimate customer refunds in advance and offer early payments.

Have you considered vehicle add-ons to differentiate you from the dealer down the street?

For instance, you can offer aftermarket connected car features on any car you sell. Provide your customers a unique mobile experience with luxe tech features, such as instant vehicle tracking, driver behavior alerts, low-battery warnings, insurance premium discounts (where applicable) and theft recovery tools, all for a nominal fee added into the loan.

Or maybe you throw it in free of charge to close the deal. With bigger refunds flying about this tax season, it's not a bad time to give customers more value for their buck.

Manage risk: Tax season might feel like a land grab, but you still have to protect yourself long term. So remember, stick to your underwriting guidelines.

It's easy to lose sight of good business practices when anxious customers are waving tax refunds in your face. Hold fast. Relaxing your risk profile now could cost you later.

It goes a long way to know with whom you're doing business. Follow through on STIPs verifications and use automated verifications when possible.

Profits are only profits after they've been collected. Confirming application data is time-consuming, but technology is available to automatically verify home and work addresses at a minimum.

Creating delinquency controls also is a must to protect and recover delinquent assets.

Installing GPS devices on your vehicles offers a host of upside in the event things don't work out.

Proper preparation, differentiation and risk management, combined with smart technology, can not only get you off the ground this tax season, it could make your entire year. ■

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