Automobile Dealership Income

DESCRIPTION OF INCOME & LICENSE CLASSIFICATION:

Dealer incentives – incentive money (or credits) received from the manufacturer for meeting certain goals. **RETAIL (even if accounted for as a credit to CGS) [All are taxed,** *except* ***advertising and floor plan assistance*****.]**

Document Processing Fees "Doc Fees"- fees paid on retail sales of vehicles for administrative processing and registering liens with DMV (Ancillary). **RETAIL**

Extended Warranty Service Plans (ESP)- sales of extended service warranty contracts covering parts and labor. **RETAIL**

Financing Income- referral commissions paid by financial institutions for processing of loans on vehicles sold by a dealership (Ancillary). **RETAIL**

Floor Plan Assistance – funds or credits received from the manufacturer to offset interest or expenses related to the "floor plan" (bank loan for inventory on the lot) expense. **NOT TAXABLE**

Gas, Oil, Grease & Materials- supplies used by the Service Department (Ancillary). **REPAIR**

Insurance Income- commissions paid on credit life insurance policies that are sold at the time of the sale (Code Sec. 58.1-2508). **RETAIL (except if dealer is a state-licensed insurance agent, then it is exempt)**

Labor: Customer Repair Orders- hourly rate charged for repair work on customer vehicles not covered by warranty. **REPAIR**

Labor: Factory Warranty- hourly repair rate charged for repair work on customer vehicles, paid for by the manufacturer. **REPAIR**

Labor: Internal- inter-departmental charges, such as new vehicle inspections or used vehicle reconditioning. **NOT TAXABLE**

Leasing Income- income from the rental of vehicles. (Note: this can be ancillary to REPAIR) **BUSINESS SERVICE**

New Vehicle Sales- sales of new vehicles to retail customers. **RETAIL**

New Vehicle Sales: Fleet- sales of fleet vehicles at wholesale to large commercial customers. **WHOLESALE**

Parts and Accessories: Internal- parts and accessories billed to another department such as for used vehicle reconditioning. **NOT TAXABLE**

Parts and Accessories: Repair Orders- parts and accessories used in repairing customer vehicles not covered under factory warranty. **REPAIR**
Parts and Accessories: Retail Counter- parts and accessories purchased from the Parts Department by retail customers. **RETAIL**

Parts and Accessories: Warranty Claims- parts and accessories used in the repair of customer vehicles covered by factory warranty and paid for by the manufacturer (Ancillary). **REPAIR**

Parts and Accessories: Wholesale Counter- parts and accessories purchased from the Parts Department by wholesale customers. **WHOLESALE**

Service Charges: Past Due Accounts- interest charged on outstanding accounts receivable-usually at the Parts Department. **RETAIL**

Sublet Repairs- repair work performed by another vendor. For example, an engine block might be sent to a machine shop for reboring. The dealer will mark up the machine shop charge and bill the customer. **REPAIR**

Used Vehicle Sales- sales of used vehicles to retail customers. **RETAIL**

Used Vehicle Sales: Wholesale- sales of used vehicles to wholesale customers. **WHOLESALE**

Trade-in Allowance- the amount subtracted from the sales price when a customer trades in a used car as part of the deal (Code Sec. 58.1 –3734.1). **NOT TAXABLE**

Automobile Dealerships **Glossary of Terms**

Ancillary Income Receipts generated as a by-product from the primary income activity. The primary activities of an automobile dealership are the sales of vehicles and the repair and service of vehicles.

Deal Sales or exchanges between dealers that sell the same makes. Also known as a DX, the holdback is sometimes called DX income. The buying dealer is expected to pay off the floor plan in exchange for the vehicle. When a buying dealer gets DX's for a car, it is usually because they have a buyer.

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Doc Fees A per unit fee charged by the dealership for processing paperwork related to the sale of a vehicle. It currently runs about $200 to $400 per deal depending on what the market will bare. This income is an administrative fee to recoup the cost of titling the vehicle and registering the lien (if financed) with DMV. See Ancillary.

Factory Holdback This represents the difference between the liability that dealership books for a vehicle on their floor plan and the amount that the vehicle goes into inventory at. It is shown as a current receivable and is usually about 3% of the floor plan amount:

Inventory-new vehicle	19,400	
Factory holdback receivable	600	
Floor Plan (Payable)		20,000

The holdback is returned to the dealer by the manufacturer after the total floor plan is paid off and is normally done on a quarterly basis. It is in essence a reduction of the cost of the vehicle- a return of the amount that the dealer paid for the vehicle.

Finance Income Income that dealerships receive from financing institutions (usually banks) for arranging financing of vehicles with customers. It is basically a commission paid by the bank to the dealership for processing of loans. Very often, dealers do not report this income for BPOL purposes. See Ancillary.

Floor Plan (Payable) This is the financing arrangement that dealerships use to finance their inventory. It is normally a current liability. The financing can either be provided by the manufacturer or by a bank.

Policy Adjustments Downward adjustments or write-offs of service work for a variety of reasons, most often for customer dissatisfaction.

Retail Sales Sales of new and used vehicles to retail customers. In addition, most new dealers have a parts department, which sells parts at retail.

Trade Ins Dealers will give customers a credit for a vehicle that is traded in, which reduces the amount of cash due or the amount that is financed on the new vehicle.