



How the PATH Act will Affect your Tax Season!

By Greg Neylan, Dealer Trainer and Accounts Manager with TRS Tax Max

Protecting Americans against Tax Hikes (PATH Act) was a law passed by congress in 2015 and took affect beginning 2016. Obviously no one likes tax hikes, so then why is this law bad news for the auto industry? Well, with the passing and implementing of this new law, all low income tax payers (i.e. your customers) who are eligible to receive the Earned Income Tax Credit (EIC or EITC) as well as the Additional Child Tax Credit (ACTC or ACT) are going to have to wait for at least the end of February before seeing any refund money.

Last year, many dealerships saw a huge down turn in what usually is an uptick in sales during the months of January through April. So why the lack of sales and traffic to the lot? Well, back in the good old days, taxpayers would file their tax returns as they normally would do each year, then, wait the usual 8-21 days to receive their full refund check and proceed immediately to the nearest car dealership to make a purchase. This type of scenario would run its course day after day from late January through the end of April. Each day, several new customers would visit the car lot with money to spend in this lovely 3-4 month window

car dealers dubbed “Tax Time”. Now, the PATH Act has reduced your “Tax Time” window into just a measly two days. Why is this you ask? With the passing of the PATH Act, all returns processed with the Internal Revenue Service (IRS) that have the eligible EIC and ATC attached will have their refunds delayed. And since the IRS delays the processing on these returns until the end of February, all refunds will in essence be released together with all other similar taxpayers on the same day! Last year on February 23rd and 24th 90% of all tax refunds were released during these two days, the largest refund release in the United States’ history. The problem was that not all dealerships had the time, staff or inventory to capture these potential buyers with the 48 hours given.

The PATH Act is here to stay. This is the new normal. So how can dealers find a solution to make sure their future “Tax Time” is a successful one? Work with a tax partner or enroll with a tax season promoter like Tax Max (www.TaxMax.com) to help capture these individuals before it’s too late. In fact, companies like Tax Max can offer a tax refund advance up to \$2,500 beginning January 10, so you don’t have to wait several weeks to receive

a tax refund check from your customer. Also, when using Tax Max, dealerships can start moving cars before the W-2 forms are released. Dealerships can estimate their customer’s anticipated refund check using a current paystub. Then based on the refund amount and by partnering with the right dealer management software (DMS) provider, dealerships can schedule a tax season payment within the contract to help lower the customer’s payments or shorten the term. In some cases, dealers that schedule a \$1,000 tax season payment within the contract were able to reduce their customer’s payment up to \$60 a month or reduce the term by up to 8 months!

Make sure you have a plan for your dealership. If not, speak to a Tax Max representative for a free consultation at 866-642-4107. ■

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