

★ TEXAS VALOR BOOKKEEPING LLC ★

Year-End Tax Preparation Checklist

Buy Here Pay Here Dealership · State of Texas

Tax Year: Calendar Year (Jan 1 – Dec 31) | State: Texas | Industry: Buy Here Pay Here Auto Dealership

How to use this checklist: Check off each item as you gather or verify the document. Items marked **[TX]** are Texas-specific, **[IRS]** are federal requirements, **[BHPH]** are unique to the buy here pay here model, and **[CRITICAL]** items carry the highest penalty risk if missed.

01 BUSINESS ENTITY & LICENSING RECORDS — Confirm your legal standing before filing

- Verify your Texas Motor Vehicle Dealer License is current [TX]**
Confirm renewal with TxDMV. Keep the renewal certificate on file as proof of licensed operation for the tax year.
- Confirm EIN and entity type with the IRS [IRS]**
Ensure your Employer Identification Number matches all federal filings. If you changed your business structure this year, confirm the effective date is documented.
- Texas franchise tax account status [TX] [CRITICAL]**
Log in to the Texas Comptroller's eSystems to confirm your franchise tax account is in good standing. Most BHPH dealerships organized as LLCs or corporations are subject to Texas franchise tax (May 15 annual due date).
- Gather Articles of Incorporation / Organization and any amendments**
Your CPA will need these if your business structure changed during the year or if this is your first filing under the current entity.

02 REVENUE & SALES RECORDS — All income sources properly documented

- Vehicle sales register — all units sold during the year [BHPH]**
Pull a complete list of every vehicle sold, including VIN, sale date, selling price, and buyer name. Reconcile against your DMS and bank deposits.
- In-house finance portfolio — interest income summary [BHPH] [CRITICAL]**
BHPH dealers carry their own notes. Separate principal received from interest income — interest is ordinary income and must be reported in full. Pull a payment-by-payment breakdown for the year.
- Down payment collections report [BHPH]**
Reconcile all cash and non-cash down payments received. Large cash transactions of \$10,000 or more require IRS Form 8300 filing.
- IRS Form 8300 — cash transactions over \$10,000 [IRS] [CRITICAL]**
Must be filed within 15 days of receiving cash exceeding \$10,000. Also report related transactions within 12 months that together exceed \$10,000. Retain copies for 5 years.
- Texas sales tax returns and remittances (all periods) [TX] [CRITICAL]**
Confirm all monthly or quarterly Texas sales tax returns were filed and paid to the Comptroller. Texas imposes 6.25% state sales tax on vehicle sales; local jurisdictions may add up to 2%.
- GAP, warranty, and ancillary product income [BHPH]**
Separately track income from GAP insurance, service contracts, and add-on products. If you retain the premium, the full amount is income. Cancellation refunds may create deductions.
- Repossession proceeds and deficiency balances [BHPH]**

When a repossessed vehicle is re-sold, track gross proceeds vs. the remaining loan balance. Net gain/loss must be reported. Forgiven deficiency balances may create cancellation-of-debt income.

03 INVENTORY & COST OF GOODS SOLD — Year-end vehicle inventory count and costing

- Physical inventory count as of December 31**
Count every vehicle on the lot and compare to your DMS. Document by VIN, year, make, model, and cost basis. Investigate discrepancies before filing.
- Inventory acquisition records — purchase invoices, auction receipts, titles**
Gather all vehicle purchase documents. Cost basis includes purchase price plus transportation, reconditioning, and inspection costs before placing the vehicle for sale.
- Identify obsolete or unsellable inventory [CRITICAL]**
Units that cannot reasonably be sold at or above cost may be eligible for write-down to lower of cost or market. Document condition and support the valuation. Discuss with your CPA before year-end if possible.
- Reconditioning and repair costs capitalized to inventory**
All amounts spent to make a vehicle saleable should be capitalized into the vehicle's cost, not expensed. Confirm your DMS or accounting system correctly reflects this.

04 NOTES RECEIVABLE & LOAN PORTFOLIO — In-house financing documentation

- Year-end loan portfolio aging report [BHPH]**
Pull a current aging schedule showing all open contracts, balances, and days past due. Essential for evaluating your allowance for doubtful accounts and potential bad debt deductions.
- Bad debt expense — charge-off documentation [BHPH] [IRS]**
You may only deduct accounts actually written off as uncollectible during the tax year. Document each charge-off with account balance, dates, and collection efforts made.
- Repossessed vehicle log with dates and conditions [BHPH]**
For each repossession, document: contract number, repossession date, vehicle condition, returned-to-inventory value, outstanding loan balance, and any subsequent sale details.
- Confirm accrual vs. cash basis method consistency [IRS]**
If you changed accounting methods during the year, Form 3115 (Change in Accounting Method) is required. Confirm your method with your CPA and apply it consistently.

05 PAYROLL & EMPLOYEE RECORDS — Federal and Texas employment tax obligations

- W-2 preparation for all employees [IRS] [CRITICAL]**
W-2s must be distributed to employees by January 31. Verify all Social Security Numbers, addresses, and wage amounts. Include any taxable fringe benefits such as vehicle use.
- 1099-NEC for independent contractors paid \$600 or more [IRS] [CRITICAL]**
Issue to all non-employee service providers (repo agents, lot attendants paid as contractors, mechanics not on payroll). Collect W-9s before payment. Due January 31.
- Reconcile quarterly 941s to total annual payroll [IRS]**
Your four quarterly Form 941s should reconcile to W-2 totals and annual payroll records. Discrepancies can trigger IRS notices. Run a payroll reconciliation before year-end closing.
- Texas Workforce Commission (TWC) — SUTA reconciliation [TX]**
Confirm all quarterly Texas Unemployment Tax reports were filed with TWC. Verify your assigned tax rate and taxable wage base for the year.
- Owner draws vs. salary documentation (S-Corp / LLC owners)**

If you are an S-Corp, document that you paid yourself a reasonable salary subject to payroll taxes. Excessive distributions without salary are an IRS audit flag.

06 BUSINESS EXPENSES & DEDUCTIONS — Substantiate every deduction you plan to claim

- Floor plan interest and financing costs**
If you use a floor plan line of credit to acquire inventory, gather all interest statements from your lender. Confirm if any floor plan fees were capitalized into inventory vs. expensed.
- Lot and building rent or mortgage interest**
Gather lease agreements, rent payment confirmations, and mortgage statements. If you own the property through a related entity and lease to the dealership, ensure rent is at fair market value.
- Section 179 and bonus depreciation — assets placed in service**
List all depreciable assets purchased this year (equipment, computers, office furniture, signage, lifts). Section 179 allows you to expense up to the annual limit in the year of purchase.
- Insurance premiums — dealer bond, property, liability, workers' comp [TX]**
Texas requires dealers to carry a surety bond. Gather all insurance premium statements. Workers' Compensation in Texas is optional but premiums paid are fully deductible.
- Advertising and marketing expenses**
Collect invoices for TV, radio, digital ads, social media, signage, and promotional events. Advertising is 100% deductible in the year paid.
- Mileage log or vehicle expense records for owner/employee vehicles**
If you deduct business use of a vehicle, maintain a contemporaneous mileage log noting date, destination, and business purpose. IRS requires this even for company-owned vehicles.
- Meals and entertainment expenses — 50% limitation applies [IRS]**
Meals with a direct business purpose are 50% deductible. Document who was present, the business purpose, and the amount. Entertainment expenses are no longer deductible under current law.
- Professional fees — CPA, attorney, DMS software subscriptions**
All professional and software fees related to the operation of the dealership are deductible. Gather invoices and confirm amounts match your books.

07 TEXAS-SPECIFIC TAX OBLIGATIONS — State reporting unique to Texas BPHH dealers

- Texas Franchise Tax — total revenue calculation [TX] [CRITICAL]**
Texas franchise tax is based on total revenue, not taxable income. For BPHH dealers, total revenue includes vehicle sale price, interest income, GAP/warranty income, and other gross receipts. Confirm the current-year small business exemption threshold with your CPA.
- Texas motor vehicle sales and use tax — dealer exemptions reviewed [TX]**
Confirm vehicles held for resale are documented as exempt from sales tax at acquisition. Vehicles used by the dealership may be subject to use tax. Review your Comptroller account for any open assessments.
- Texas property tax — business personal property rendition [TX]**
Texas requires businesses to file a rendition of taxable business personal property with the county appraisal district by April 15. Late renditions incur a 10% penalty. Gather your asset list for the rendition.
- Title and registration fee collections — proper handling [TX]**
Title application fees and motor vehicle registration fees collected on behalf of TxDMV are pass-through items and should not be recorded as revenue. Confirm your bookkeeping correctly treats these as liabilities until remitted.

08 BANKING & ACCOUNT RECONCILIATION — Books must agree to bank statements before filing

- Reconcile all bank and credit card accounts through December 31 [CRITICAL]**
Every business account must be reconciled to the final statement of the year. Unreconciled accounts create unreliable financial statements and may cause your CPA to require additional work.
- Petty cash reconciliation and documentation**
Count physical petty cash on hand and reconcile to the general ledger. All petty cash disbursements must have receipts. Large unexplained outflows are an audit trigger.
- Identify and document any intercompany or personal transactions**
Any commingling of personal and business funds must be identified and properly classified. Loans from owner to business should be documented with promissory notes and interest terms.

09 OWNER & YEAR-END CLOSE ITEMS — Final adjustments before handing off to your CPA

- Review profit and loss for large or unusual items**
Before sending books to your CPA, review the P&L for any accounts that look unusually high or low compared to prior years. Investigate and correct any miscategorized transactions.
- Estimated tax payments made — federal and any applicable state**
Gather proof of all federal estimated tax payments (Form 1040-ES or 1120-W). If you underpaid estimated taxes, your CPA needs to know to calculate any underpayment penalty.
- Retirement plan contributions — SEP-IRA, SIMPLE IRA, or Solo 401(k)**
Contributions to owner retirement plans are a powerful tax deduction. SEP-IRA contributions can be made as late as the extended filing deadline. Confirm amounts contributed and plan establishment date.
- Review prior year carryforward items (NOL, capital loss carryovers)**
If you had a net operating loss in a prior year, confirm the carryforward amount from your last tax return. Your CPA will apply it to offset current year income.
- Organize and deliver all documents to your bookkeeper or CPA**
Package your records by category and provide access to your accounting software. The earlier you deliver complete records, the more time there is for tax planning before filing deadlines.

BPHH Dealer Tax Tips — Texas

- ▶ Texas has no personal state income tax, but your dealership entity is subject to the Texas Franchise Tax. Ensure total revenue is correctly calculated before the May 15 due date.
- ▶ The IRS scrutinizes BPHH dealers for cash reporting compliance. Form 8300 violations can trigger civil and criminal penalties. Train your finance staff on the reporting thresholds.
- ▶ Bad debt deductions are one of the most valuable BPHH tax benefits — but they require meticulous documentation of collection attempts and written charge-off authorization before year-end.
- ▶ If you own the real estate your dealership operates from in a separate LLC, ensure the lease payments and management fees between entities are at arm's length and documented.
- ▶ Consider meeting with your CPA or bookkeeper in October or November — not January — to identify deductions that must be acted on before December 31.

Need Help Getting Your Books Ready?

Texas Valor Bookkeeping LLC specializes in Buy Here Pay Here dealerships. We understand your unique revenue streams, loan portfolio tracking, and Texas compliance requirements. Contact us today to get your books tax-ready.