

## Pay Attention, Folks

NORM SCHULTZ • APR 14, 2020

The last thing dealers need these days is to get hit with higher credit card fees. But it's possible, as Visa and Mastercard had planned to raise swipe fees on many merchants this year, and the changes could be hardest on small businesses, according to people familiar with the situation.

This was revealed by AnnaMaria Andriotis, writing for *The Wall Street Journal* last week.

Andriotis said fee increases have been in the works for months, but with the pandemic, it's not known if the increases will hit retailers for the time being. That said, Visa's potential plans reportedly include increasing interchange (swipe) fees associated with many consumer credit cards for many of the smallest retailers while lowering them for many of the largest ones, according to some of the people and a document reviewed by the *WSJ*.

These fees are always a contentious issue, and some retailers cover them with price increases, while others, where it's legal, directly pass on the fees to the consumer. Card-industry executives respond by saying interchange fees help cover costs for important functions, such as preventing fraud. Most small retailers say that's a crock, recalling legal battles to reduce and cap unjustifiably high fees. As another example of the friction, a big name like Kroger supermarkets once stopped accepting Visa credit cards all together at some locations.

In 2019, merchants paid an estimated \$53.6 billion in Visa and Mastercard swipe fees. That was up 8 percent from the year before and up 107 percent from 2012, according to the Nilson Report, an industry publication. That was when the economy was roaring — not so much now, of course. So one could speculate that revenues from swipe fees are anticipated to drop. Still, Andriotis' report notes the potential fee increases on merchants are forecast to generate an estimated \$731 million for card issuers, according to CMSPI, a merchant payments consulting firm.

While it's reported some big outfits, such as Costco, Amazon and Walmart, have negotiated their swipe fees down by leveraging their market reach, small businesses like dealerships don't have that clout. Still, now may be an occasion to talk to your banker about what they're hearing.

In the meantime ...

It's like a gold rush, the pouring out of applications for a loan in the Paycheck Protection Program, which kicked off April 3 amid some confusion about what should have been expected, given the uncharted waters we're navigating. And with even more money expected to be pumped into the program, most marine dealers can use such a forgivable loan.

If you get one, do not lose sight of these important considerations:

### Only use your PPP loan for the correct things

Legally, you certified that the funds would be used to either retain workers and maintain payroll, or make mortgage interest payments, lease payments and utility payments. Use the money for anything else, and you're open to a fraud charge. Further, loan recipients, shareholders or partners can be pursued, and of course, you can forget the loan forgiveness provisions.

### You'll need the right stuff

Your word won't be sufficient. As the borrower, you'll be required to document how you used every dime of your PPP loan. When? The law specifically requires documentation of funds used when you go to the lender that's servicing the loan to seek forgiveness. Forgiveness isn't automatic. You must request it, so payroll records, invoices, power and water bills, cancelled checks, mortgage or lease payments, etc., will all be key.

### Your accountant is important

You must use the entire loan balance during the eight weeks after receiving the money. One recommendation some accountants are making is to keep these funds separate from all others. That way, help documenting everything necessary may be your best approach. However, it would be wise to make your accountant part of this process. Moreover, your accountant should be staying up with applicable regulation changes issued by the SBA. For example, making certain you don't unwittingly get knocked out of the box because of some limitation caused by a reduction of employees or wages.

### File with bank fast

Set your alarm — when the eight weeks is up, head to your servicing bank with your forgiveness application. While we're talking about more uncharted-waters in this process for you and especially the bank, the PPP at least requires the bank determine forgiveness within 60 days of your application. Overload for the bank? Likely, so getting your request in ASAP makes sense. Again, you'll have to certify proper use of the money.

### Tax breaks you don't know about

Experts say there are potentially a lot of them in the CARES Act. Here's where your accountant or tax preparer really becomes your best friend. In typical congressional fashion, the CARES Act is loaded, and it will take skill and time to apply it all to your dealership. But that's why you have an accountant, isn't it?

A few examples: The CARES Act changed the limits in the previous Tax Cuts & Jobs Act of business interest deductions, allowing you to take additional interest expenses. Or how about taxpayers now can carry back net operating losses from 2018, 2019 and 2020 to the prior five years, so you could get a cash refund filing an amended return. There's now an accelerated use alternative minimum tax credit enabling you to claim AMT credits back to 2018 as another way to get cash quickly. And this is just the beginning.

Bottom line: These are times to pay attention to changing rules, regulations, timing and professional advice that can lead to more cash for your dealership.