



The Silent Profit Killer: Mastering Auto Dealer Parts Obsolescence



**Susan Harwood
Hulse, Harwood & Sheridan,
LLC**

A dealership's parts inventory represents a large investment by the dealer. These inventories are truly equivalent to cash sitting on the shelves, yet these large investments are not always managed well. There are many "best practices" to follow in managing parts inventories, and most would agree that the accuracy of a dealership's parts inventory is at the top of the list. Physical inventories and reconciliations must be performed regularly in order to maintain accuracy. Beyond simply tying in the physical count to the books, a dealer would be wise to use the parts inventory reconciliation process to analyze parts on hand with a focus on parts obsolescence.

As we all know, in the automotive dealership world cash flow is the engine of growth. Obsolete parts, defined by industry standards as any part that has not moved in 12 months or more, represents huge amounts of frozen capital sitting on parts department shelves across the country. For many dealerships, obsolete stock accounts for 8% to 15% of total parts inventory. For a dealer, this is not just a storage issue; it is an operational leak directly draining your bottom line.

The True Cost of Dead Stock

Many leadership teams make the mistake of viewing idle parts as stable assets on the balance sheet. In reality, holding on to dead stock is incredibly expensive. Industry data

IN THIS ISSUE

How Car Dealerships Are Actually Using AI in 2026

Protect Your Potential COVID-19 Disaster Relief Refunds

shows that the annual carrying cost of parts inventory ranges from 24% to 30% of its total value. This includes insurance, taxes, physical space, and labor.

Furthermore, the math on aging inventory is unforgiving. A part that has sat idle for six months has less than an estimated 35% chance of ever selling to a retail or service customer. Once it crosses the 12-month threshold, that part is effectively dead weight. It continues to eat away at your profitability every day that it remains on the shelf.

Root Causes on the Shelf

Parts obsolescence rarely happens overnight. It is the result of gradual, everyday operational gaps in shelf management. The leading cause is unclaimed Special Order Parts (SOPs). A service customer cancels an appointment, or a wholesale buyer never returns, leaving the part stranded. Other major operational contributors include over-ordering to hit manufacturers bulk-buy incentives, failing to track automatic part supersessions by the factory, and a lack of daily oversight on aged inventory metrics.

Three Operational Steps to Reclaim Cash Flow

Protecting your net profit requires enforcing strict daily discipline and proactive shelf management policies within your parts department:

1. Enforce a Strict SOP Policy: Track special orders weekly. Implement mandatory upfront deposits for non-stocking parts and require parts managers to return untaken components to the manufacturer within their approved return windows.

2. Maximize OEM Return Reserves: Treat your manufacturer return allowance as a “use-it-or-lose-it” asset. Mandate monthly inventory reviews to catch parts hitting the 6-to-9 month mark, shipping them back before they become non-returnable.

3. Optimize Reconditioning Pipelines: Build a bridge between your parts manager and the used-car reconditioning department. Ensure aged, fast-moving parts on your shelves are utilized first on internal repair orders to clear stock internally.

Gerry Green
Brady Martz & Associates, P.C.

How Car Dealerships Are Actually Using AI in 2026

Artificial intelligence is no longer a future concept for automotive retail — it’s quickly becoming a core part of how modern dealerships operate. From the showroom to the service lane, AI is helping dealers increase efficiency, improve customer experience, and ultimately sell more vehicles.

One of the most widely adopted uses of AI is in customer communication. Today’s dealerships are leveraging AI-powered chat and text tools to respond instantly to online inquiries, even outside of business hours. These systems can answer common questions, qualify leads, and guide customers toward scheduling a test drive or service appointment. Speed matters more than ever, and AI ensures that no opportunity is missed due to delayed responses.

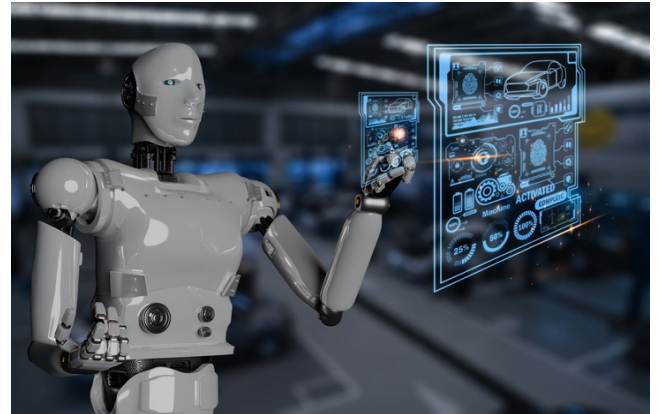
Scheduling itself has also become more streamlined. AI tools now handle appointment booking, confirmations, reminders, and even rescheduling without requiring staff involvement. This reduces administrative workload while improving show rates and customer satisfaction.

Marketing is another area undergoing rapid transformation. AI enables dealerships to deliver highly personalized campaigns by analyzing customer behavior, preferences, and purchase history. Instead of broad messaging, dealers can target individuals with relevant offers, improving engagement and conversion rates. In addition, AI helps identify which leads are most likely to convert, allowing sales teams to prioritize their time and focus on high-value opportunities.

Behind the scenes, AI is playing a growing role in inventory management and pricing strategy. By analyzing market trends, local demand, and vehicle aging, AI tools can recommend optimal pricing adjustments and stocking decisions. This helps dealerships turn inventory faster and maintain competitive positioning without relying solely on manual analysis.

The Bottom Line

Inventory obsolescence is a manageable operational challenge, not an inevitable cost of doing business. By holding your managers accountable to modern shelf management standards, you can unlock trapped cash, reduce carrying costs, and instantly boost your dealership’s net profit. To discuss strategies to increase cash flow by minimizing a dealership’s obsolete parts, contact your AutoCPAGroup member. ¶



In the finance and insurance (F&I) department, AI is being used to assess credit risk, suggest financing options, and flag potential fraud. These tools not only streamline the deal process but also help maximize profitability on each transaction.

Service departments are also seeing innovation through AI-powered inspection systems. Advanced imaging and scanning technology can quickly identify issues such as tire wear or undercarriage damage, allowing advisors to provide more accurate and transparent recommendations to customers. This improves trust while increasing service revenue opportunities.

Internally, dealership staff are increasingly using AI tools to support everyday tasks. From drafting emails and generating marketing content to summarizing customer interactions and analyzing performance data, AI is reducing time spent on repetitive work and enabling employees to focus on higher-value activities.

Looking ahead, the role of AI in dealerships will only continue to expand. The industry is moving toward more connected, predictive systems that can anticipate customer needs, automate workflows, and provide real-time insights across departments. Dealers who embrace these tools early are likely to gain a competitive advantage in both efficiency and customer experience.

In 2026, AI is not about replacing people — it’s about empowering dealership teams to work smarter, respond faster, and operate more effectively in an increasingly digital marketplace. For more information about how AI affects modern-day dealership operations, contact your AutoCPAGroup member. ¶

Protect Your Potential COVID-19 Disaster Relief Refunds

Tasha R. Sinclair
Tetrick & Bartlett, PLLC

Taxpayers who paid IRS penalties or interest during the COVID-19 disaster period may be eligible for a refund due to a recent federal court ruling. However, refunds are not automatic, and the deadline to preserve your claim is approaching quickly.

According to the U.S. Court of Federal Claims ruling in *Kwong v. United States*, certain tax deadlines should have been suspended during the federally declared COVID-19 disaster period — from January 20, 2020, through July 10, 2023. Because taxpayers generally have three years to request a refund, the deadline to file a protective claim is July 10, 2026.

The IRS is expected to appeal the ruling, and the legal process could take years to resolve. Filing a protective claim before the statute of limitations expires preserves your rights if the *Kwong* decision is ultimately upheld.

How Do You Know If You May Be Eligible?

You can log in to your IRS online account — or create one if you do not already have one — and review your tax transcripts to determine whether you paid penalties or interest during the COVID-19 disaster period.

If you need to create an account for yourself or your business, you should do so promptly. The IRS may mail a verification PIN, which can take 5–10 business days to arrive.

How Do You File a Protective Claim?

To file a protective claim, taxpayers must submit IRS Form 843, Claim for Refund and Request for Abatement. Form 843 must be filed on paper.

A protective claim does not require the taxpayer to calculate the exact refund amount or request immediate payment. However, the claim must meet certain minimum requirements to be considered valid.

Your Form 843 should:

- Be signed;
- Include your name, address, Social Security number, Individual Taxpayer Identification Number (ITIN), or Employer Identification Number (EIN), along with contact information;
- Identify and describe the legal issue affecting the claim (i.e., *Kwong*);
- Clearly explain the basis for the claim; and
- Identify the specific tax year or years involved.

In most cases, taxpayers must file a separate Form 843 for each tax period and each type of tax. The claim should clearly state that it is based on the COVID-19 disaster relief period and the legal reasoning reflected in *Kwong*.

A Word of Caution

As *Kwong v. United States* continues to attract attention, taxpayers should remain alert to scams and aggressive marketing schemes promising quick refunds or guaranteed eligibility. The complexity of the case, combined with evolving legal interpretations, has created opportunities for bad actors to exploit confusion and urgency.

Improper claims can expose taxpayers to audits, repayment obligations, penalties, and interest.

Approach unsolicited tax advice with caution. Be wary of promoters or professionals who:

- Promise guaranteed refunds;
- Charge excessive contingency fees;
- Pressure you to act immediately; or
- Fail to explain the legal basis for the claim.

Legitimate relief provisions are grounded in law — not marketing claims.

Conclusion

Filing a protective claim now may preserve your rights while the law continues to develop. Waiting for certainty could mean losing the opportunity altogether.

If you determine that you paid significant penalties and/or interest during the COVID-19 disaster period and may be entitled to a refund, the July 10, 2026, deadline is critical.

Before filing a protective claim, consult with your AutoCPAGroup advisor, review applicable IRS guidance, and retain documentation supporting your position. ¶

Advisory Board of CPAs

Steven Bunch
Sorren CPAs, P.C.
St. Petersburg, FL

Justin Burchill
Brady Martz and Assoc., P.C.
Grand Forks, ND

Megan Condon
BDO USA, LLP
Seattle, WA

Joe Cutillo
Joe Cutillo, CPA
Tampa, FL

Ben Daria
Weisberg, Mole, Krantz & Goldfarb, LLP
Woodbury, NY

Jay Goldman
Boyer & Ritter, LLC
Harrisburg, PA

Ken Gordon
Weisberg, Molé, Krantz & Goldfarb, LLP
Woodbury, NY

Gerry Green
Brady Martz and Assoc., P.C.
Denton, TX

Barton Haag
Albin, Randall & Bennett, CPAs
Portland, ME

Susan Harwood
Hulsey, Harwood & Sheridan, LLC
Monroe, LA

Carl Jensen
Larson & Company
Salt Lake City, UT

Greg Porter
Porter & Company, P.C.
Greensboro, NC

Tasha R. Sinclair
Tetrick & Bartlett, PLLC
Clarksburg, WV

Scott Womack
LBMC, PC
Brentwood, TN

Scott Woodward
Woodward & Associates, Inc.
Bloomington, IL

Wayne Zimmerman
Pomares & Co., LLP
Sacramento, CA

For assistance, please call 1-800-4AUTOCPA or visit our website at www.autocpa.com. Headlights is prepared by the AutoCPAGroup for the clients of its members. We are required by IRS Circular 230 to inform you that the advice contained herein (including all attachments) is not intended or written to be used for the purpose of avoiding any penalties that may be imposed under federal tax law and cannot be used by you or any other taxpayer for the purpose of avoiding such penalties.
©2026 Headlights