# WARRANTY CLAIMS CODING ISSUES

Warranty claim coding involves assigning codes to the diagnosis and repairs made on vehicles that will be reimbursed under the factory's warranty provisions. For most manufacturers, this includes at the minimum;

- A code to identify the customer's concern.
- A labor operation to describe the repair.
- A fault code to describe what failed or why.

But there is much more to the process than just translating the work performed into a series of codes and into a language that the manufacturer's computer can understand. So what makes this job difficult and how do you make the position perform well in your dealership? Here are five secrets that will unlock some of the mysteries.

**Secret #1: Claims are at the mercy of whoever bills it.** A warranty coder, or often called a booker or biller, is usually the responsible for assigning labor operations. That means this person is essentially the one paying the technician. While other hands might touch the ticket before the information is entered and transmitted to the manufacturer, they are essentially the last significant line of controlling the warranty process.

That makes the position critical in not only maximizing the warranty ticket by claiming every legitimate dollar the dealership deserves, but also emphasizing the controls the factory demands on the technicians. These competing responsibilities have to be kept in balance to make the position a success. Understanding this balance and maintaining it is the hallmark of a great coder.

**Secret #2: A shaky foundation leads to an unsteady building.** The weaker the write-up and supporting documentation, the weaker the claim will be when it comes time to bill it out. Missing or insufficient information will only lead to errors and omissions on the claim. Plus it really does not matter how good the coder is, if the advisor wrote the incorrect mileage the claim will likely be refused.

**Secret #3: Look for the little things that add up.** The average warranty claim is missing about $6 in either parts or labor. Commonly missed items are the few extra labor allowances and miscellaneous parts and fluids. If you want a quick check, grab a claim for an internal transmission repair and see how much fluid is billed out.

The best way to make sure you are not leaving money on the table is by having multiple people reviewing the claim for accuracy. Everyone who handles a repair order should attend some type of warranty training and/or read through the processing and policy manual. After all, if a technician or advisor doesn't know an allowance exists, how will they know to charge it out on the repair order? Or, even mention it?

The person doing the coding should have enough mechanical experience to know what labor and parts are customary with the various repair processes. If they are not, then they need to have a person with the technical expertise that can assist them. Otherwise, an unscrupulous technician can pull the wool over the biller's eyes on whatever they might want to get paid for.

**Secret #4: Right or wrong – once a claim is closed all the momentum is to get paid for <u>that</u> amount.** Once a repair order is completed and closed, unless the factory's claim system adjusts payments, few will ever look at the details again. Items left off the claim or poor policy compliance is likely to sail right though the warranty receivable schedule. As long as the incorrect or missing information does not hold up claim payment, chances are there will not another critical evaluation of the repair order.

That magnifies the biller's responsibilities. A good practice is to at least review the basics of claim compliance; such as warranty eligibility, that the correct time has been paid and recorded, the technician's comments are complete, and that any additional controls (add-on repairs, goodwill decisions, etc.) have been authorized by service management.

**Secret #5: When hiring or training new coders, be drawn to desirable personality traits; not just experience.** When faced with the prospect of having to find an employee that can bill out your manufacturer's claims, it is understandable that experience with the system is the first, and usually only, trait you look for. While there is no substitute for experience, there is also no experience that can overcome poor practices and attitudes.

Coding warranty claims is an exacting and frustrating task. It takes the right mindset to do it right and consistent. Learning the manufacturer's system is just a matter of education and some practice. Given the choice, a well-suited neophyte is better off than a sloppy person with experience.

TAX
TIP

# EXPIRING BUSINESS TAX PROVISIONS

## BUSINESS TAX PROVISIONS EXPIRING AFTER 2013

Several long-standing business tax provisions are once again set to expire at the end of this year. Congress has routinely extended many of them, namely additional first-year bonus depreciation, enhanced expensing limits under Code Sec. 179, the research tax credit, the Work Opportunity Tax Credit, and many more. Nevertheless, extension is never set in stone, and good tax planning should factor in the possibility that a particular tax extender will lapse or its benefit will decrease.

The cost of these extenders versus their actual benefit to business and industry have stirred greater uncertainty over whether or not certain provisions will be extended again immediately after 2013.

**Expiring business tax provisions include**:

***Additional first-year bonus depreciation***. Congress has consistently extended this provision allowing businesses to take an additional depreciation deduction for the cost of qualified property placed in service in a certain year on top of the property's original depreciation allowance. The amount of this bonus depreciation was extended into 2012 dropping to 50%. The American Tax Relief Act (ATRA) of 2012 extended the 50-percent bonus depreciation through the end of 2013.

***Increased expensing limits for Code Sec. 179 property***. ATRA extended through 2013 Code Sec. 179 small business expensing. The Code Sec. 179 dollar limit for tax years 2012 and 2013 is $500,000 with a $2 million investment limit, meaning businesses can take a deduction for costs up to $500,000, until the cost of the property exceeds $2 million. At that point, the $500,000 deduction would begin to phase out.

***15-year straight-line cost recovery for qualified leasehold, restaurant, and retail improvements***. ATRA extended through 2013 the 15-year recovery period for qualified leasehold improvements, qualified retail improvements and qualified restaurant property.

Pending legislation, if passed by Congress, would permanently extend the 15-year recovery period for this class of property, nevertheless, this provision will expire after 2013.

***Work Opportunity Tax Credit (WOTC).*** ATRA extended the WOTC through 2013. The credit rewards employers that hire individuals from targeted groups. Employers hiring an individual within a targeted group (generally, otherwise hard-to-employ workers) are eligible for a credit generally equal to 40 percent of first-year wages up to $6,000, higher in the case of some qualified veterans.

Again, pending legislation, if passed by Congress, would permanently extend the WOTC to encourage employers to hire recently discharged veterans.

***Research Tax Credit***. The research credit may be claimed for increases in business-related qualified research expenditures and for increases in payments to universities and other qualified organizations for basic research. The credit applies to the excess of qualified research expenditures for the tax year over the average annual qualified research expenditures measured over the four preceding years. The credit expired after 2011, but ATRA extended it through 2013.

The research tax credit enjoys significant support in Congress and President Obama has also called for making permanent the credit. One obstacle to its extension is its cost, which the Joint Committee on Taxation has estimated to be $14.3 billion over 10 years.

**Reduced recognition period for S corporation built-in gains tax**. In general, an S corporation shareholder is not subject to tax on corporate distributions. However, if a C corporation converts to an S corporation and then liquidates, then the built-in-gains tax provisions under Code Sec. 1374 are designed to prevent that C corporation from avoiding payment of a corporate-level tax on its distributions made during a "recognition period." The recognition period was originally 10 years, but was reduced to seven years and then five years by various pieces of legislation. ATRA temporarily extended the five-year recognition period.

This would mean, for example, that a C corporation that had converted to an S corporation six years prior to 2012 could make distributions without having them become subject to the built-in gains tax.

With these uncertain times and budget issues faced by Congress could mean that many of the above provisions may indeed not be extended beyond 2013. As the year end approaches you should discuss the above expiring provisions with your ATA representative in planning for your 2013 Year End and into 2014.