



How Much Can I Deduct If I Buy a Car or Truck for Business in 2018

Typically during the last quarter of the year my clients will call me and ask me how much they can save if they buy a business car or truck by the end of the year. In light of the Tax Cuts and Jobs Act (TCJA) that was enacted on December 22, 2017 I thought I would write a blog to address it. There are three vehicle weight categories that affect how much you can expense under Internal Revenue Code (IRC) § 179. The first is for vehicles that have a gross vehicle weight (GVW) less than 6,000 pounds, the second is for vehicles that have a GVW of between 6,000 and 14,000 pounds and the third is for vehicles that have a GVW of over 14,000 pounds.

I. Passenger Vehicles, Light Trucks and Vans under 6000 pounds

The good news is that the TCJA allows for much bigger depreciation deductions for vehicles used for business. The changes apply to passenger vehicles, light trucks and vans having a GVW of less than 6,000 pounds. For 2018, the amount of the depreciation (expensing deduction) for a passenger car or light duty truck or van are as follows:

- \$10,000 for the 1st year,
- \$16,000 for the 2nd year,
- \$9,600 for the 3rd year, and
- \$5,760 for the 4th year and each succeeding year in the recovery period.

The TCJA retained the \$8,000 limit for additional first-year depreciation for passenger automobiles. So in 2018, the maximum amount you can deduct for a passenger automobile in the first year is \$18,000 (10,000 of regular depreciation plus \$8,000 of bonus depreciation.) These numbers assume 100% business use so if the vehicle was used for less than 100% the depreciation deduction would be reduced accordingly. The deduction will be adjusted for inflation after 2018.

II. Heavy SUV's Trucks and Vans Between 6,000 and 14,000 pounds

Heavy SUV's, trucks, and vans that have a GVW of over 6,000 pounds are not subject to the passenger automobile depreciation limits above but remain subject to the \$25,000 IRC § 179 limit, but they are eligible for 100% bonus depreciation if they are above 6,000 lbs. This is true for both new and used vehicles. In addition, taxpayers may elect to apply a 50 percent allowance which was the maximum in 2017 instead of the 100 percent allowance now available.

III. Vehicles that weigh more than 14,000 pounds

There is no depreciation limit under IRC §179 for vehicles that have a GVW of more than 14,000 pounds so you can write off the entire vehicle cost.

Therefore, the bottom line is that if you buy a new or used vehicle, that is used 100% for business and has a GVW of over 6000 pounds you can elect to deduct the entire cost of the vehicle in 2018 thanks to 100% bonus depreciation.

For property placed in service starting on January 1, 2018, the maximum depreciation expense deduction for the year is \$1 million. This dollar limit begins to phase out dollar for dollar once total purchases for the year exceed \$2.5 million. Therefore no depreciation expensing can be used once total purchases reach \$3.5 million.

If you have depreciation questions or need help with your taxes please call Gregory J. Spadea at 610-521-0604. The Law Offices of Spadea & Associates, LLC is located in Ridley Park, Pennsylvania.