



## **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 4<sup>th</sup> 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.