

STRATEGIC

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Strategic Integrated Planning

Maximizing Deductions for Business-Use Vehicles

How would you like to squeeze more time out of your busy week, cut down on record-keeping duties, and reduce piles of paperwork and old receipts? The 2010 standard mileage rates for business vehicles can help you do just that. Businesses that operate up to four vehicles at the same time can deduct this standard mileage rate rather than keeping track of depreciation, gas, and repairs.

The standard business mileage rate for 2010 is 50 cents-per-mile for all business miles driven (down from 55 cents-per-mile in 2009). The rate reflects average gas, depreciation and maintenance costs each year.

Four or more vehicles

Businesses using no more than four vehicles for business purposes can use the business standard mileage rate. Before 2004, businesses using more than one vehicle at a time could not use the business standard mileage rate. Instead, they had to account for the actual expenses for each business vehicle. The higher number is helpful to many small businesses.

Heavy vehicles and large SUVs

For many years, SUV owners enjoyed a special tax break, often referred to as the "SUV loophole." The "luxury car" rules in Code Sec. 280F place strict limits on the maximum amount of depreciation that may be claimed on passenger automobiles, including trucks and vans, during each year of a vehicle's recovery (depreciation) period. Generally, the luxury vehicle limits apply to vehicles primarily used on public streets with an unloaded gross weight of 6,000 pounds or less. However, a light truck or van, including an SUV built on a truck chassis, is not subject to the annual vehicle depreciation limitations if its gross vehicle weight rating (maximum loaded weight) is in excess of 6,000 pounds. This treatment allowed many taxpayers who purchased an SUV with a gross weight in excess of 6,000 pounds to write off the entire cost in the year of purchase under the Code Sec. 179 expensing deduction.

Congress cracked down on the "SUV loophole" in 2004. The *American Jobs Creation Act of 2004* put the brakes on the cost of any SUV that may be expensed under Code Sec. 179 to \$25,000. If the SUV is not built on a truck chassis or if it does not have a gross vehicle weight of more than 6,000 pounds, however, the "luxury vehicle" limit is the even lower. For example, for SUVs weighing 6,000 pounds or less and first placed in service in 2008, that lower limit is \$3,160 for 2008, \$5,100 for 2009, \$3,050 for 2010, and \$1,875 (for each subsequent year). For qualifying SUVs placed in service in 2009, the lower limit is that of any other passenger vehicle: \$3,060 for 2009, \$4,900 for 2010, \$2,950 for 2011 and \$1,775 for all years thereafter.

Personal and business use

If you use your business vehicle for personal trips (including commuting back and forth from home and your principle business location) you must pro-rate your deduction to exclude the percentage of personal use. The magic number here is 50 percent. As long as you use your vehicle more than 50 percent for business during the year, you can pro-rate your deduction.

If you have any questions about how to maximize tax deductions for your business vehicles please call this office. 1-866-657-0246 or jwaage@strategiclawgroup.com