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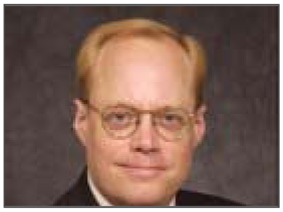

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THE TAX LAWYER

Jun. 25 2011 — 4:00 pm

Great Business Auto Write-Offs

Want a tax write-off with a significant impact on your business bottom line? Look no further than your garage or local car dealer. Cars purchased for business after September 8, 2010 and before January 1, 2012, get rich tax benefits, ***especially*** if the vehicle is heavy (over 6,000 pounds) and expensive. It's a perfect time to buy a (hefty) car for business if you want a healthy chunk of your purchase paid for by Uncle Sam.

100% for Business? To claim 100% of the vehicle for business use, the vehicle must be used 100% for business. That's a tall order, especially since commuting from home to work normally doesn't count. For that reason, keep good records.

A detailed log in your car is the best and easiest way to record business travel contemporaneously. If you use the vehicle 80% for business, that means you're entitled to 80% of the expenses. But 80% of what?

Depreciation. Depreciation is a deduction each year for a prescribed number of years geared toward the life of the car. But if you buy before 2012, you can write-off 100% in the first year. That's what I call accelerated! See Rev. Proc. 2011-21 and 2011-26.

To get this 100% write-off, the car must weigh more than 6,000 pounds. Examples include the Porsche Cayenne Turbo (MSRP: $106,000), the BMW X6 M (MSRP: $89,200) and the Ford Lincoln Navigator (MSRP: $62,635). Don't worry about lack of choice in this mongo car category.

These makers also have vehicles in this plus 6,000 pound category: Mercedes-Benz, Honda, Toyota, Nissan and General Motors.

If you can't see your way to buying an enormous vehicle and want something smaller and lighter you can still get rich tax benefits. Cars that weigh 6,000 pounds or less and that cost more than $15,300 are entitled to first year depreciation of $11,060. But if you spend more than $30,625 on a car, you'll get larger depreciation deductions. The message is clear: if you act before 2012, there are big incentives to buy big and expensive cars for business.

Don't Forget Mileage. Taxpayers can either deduct a standard mileage fee (51¢ per mile for the first half of 2011 and 55.5¢ per mile thereafter) or their actual costs for gas, maintenance and insurance. If you claim the standard mileage allowance, you can't claim depreciation. As with most choices, comparing what's best for you is shrewd, but claiming mileage is certainly easier from an administrative viewpoint.

For more, see:

How To Take A 100% Tax Write-Off For A New Porsche, BMW or Cadillac

The New Tax Break for Business Autos

Depreciation Rules Favor Big Cars

6 Ways To Write Off Your Car Expenses

IRS Publication 946 (2010): Additional Rules For Listed Property

IRS Topic 510 – Business Use of Car

Robert W. Wood practices law with Wood & Porter, in San Francisco. The author of more than 30 books, including Taxation of Damage Awards & Settlement Payments (4th Ed. 2009, Tax Institute), he can be reached at wood@woodporter.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.