



Tax Savings Still Available for “Heavy” Trucks and Vans

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As the tax year comes to an end, business owners are looking for additional ways to decrease their tax liability. Fortunately for those companies that use trucks and vans, there are still generous depreciation rules that are available for newly purchased “heavy” vehicles. In order to maximize depreciation write offs, these vehicles must be purchased and placed in service by the end of 2014.

Although purchasing a new passenger auto for business will help to decrease tax liabilities, the savings will not be as significant as purchasing a heavy truck or van. This is because depreciation limitations applicable to passenger autos are relatively small compared to what is available for the heavy trucks and vans. It is important to keep in mind that when passenger autos are used personally as well as for business, depreciation deductions will be limited. *Maximum* depreciation deductions, including the Section 179 deduction, available for passenger autos placed in service in 2014 are as follows:

YEAR	CARS	Trucks and Vans
Year 1	\$3,160	\$3,460
Year 2	\$5,100	\$5,500
Year 3	\$3,050	\$3,350
Year 4 and beyond	\$1,875	\$1,975

The IRS has defined a passenger auto as any four wheeled vehicle that is used primarily on public streets, roads, and highways and weighs 6,000 pounds or less when unloaded. When a vehicle’s Gross Vehicle Weight Rating exceeds the 6,000 pound threshold and is used over 50% for business, it can be depreciated for 5 years under the MACRS rules and is not limited to the above depreciation deductions. Additionally, these heavy vehicles qualify for the Section 179 deduction. Below is an illustration of how the depreciation deduction varies depending on the type of vehicle placed in service.

The first year depreciation deduction amount for a \$65,000 passenger auto placed in service on 1/1/2014 and used 100% for business would either be \$3,160 or \$3,460 depending on if the vehicle were a car or a truck/van (see table above). If the vehicle was classified as a “heavy” truck or van the, depreciation deduction would be \$33,000. This figure is calculated by taking Section 179 depreciation, currently limited to \$25,000, plus an additional \$8,000 MACRS depreciation deduction (\$40,000/5 years).

From the above example, one can easily see the tax advantage of purchasing and placing a heavy truck or van into service prior to the end of the year. Fortunately, this is just one of many strategies being used by businesses to decrease tax liabilities. If you have any questions on this specific tax savings or need additional tax planning advice, please contact the professionals at Zinner & Co.