



Deductions for Heavy SUVs and Trucks

As you have probably heard, businesses can claim substantial deductions for heavy (over 6,000 pounds gross vehicle weight) SUVs, trucks, and other vehicles used primarily (over 50% of the time) in the business.

For a heavy SUV, the business can deduct up to \$25,000 of the SUV's cost in the year it is purchased. Also, the rules that limit the amount of annual depreciation allowed on passenger automobiles do not apply to heavy SUVs. This means that 50% of the remaining cost of the heavy SUV can be written off as bonus depreciation in the year it is purchased and the balance is then written off over five years.

All this can add up to a substantial first-year deduction. For example, the maximum first-year depreciation deduction for a \$65,000 heavy SUV placed in service during 2009 and used 100% for business will generally be \$49,000. The maximum first-year depreciation deduction for a \$65,000 passenger auto placed in service during 2009 and used 100% for business will only be \$10,960.

A heavy SUV is a passenger vehicle with an enclosed body that's built on a truck chassis that has a gross vehicle weight rating—the manufacturer's maximum weight rating when loaded to capacity—above 6,000 and less than 14,001 pounds. However, a vehicle that otherwise meets this definition is not classified as an SUV if:

- ◆ It is equipped with a cargo area of at least six feet in interior length. The cargo area cannot be readily accessible directly from the passenger compartment, but it can be either open or enclosed by a cab. Many pickups with full-size cargo beds will qualify for this exception, but "quad cabs" and "extended cabs" with shorter cargo beds may not qualify. So, when you go to the dealership, be sure to pack a tape measure.
- ◆ It can seat more than nine passengers behind the driver's seat, such as hotel shuttle vans.
- ◆ It has an integral enclosure that fully encloses the driver's compartment and load carrying device, does not have seating behind the driver's seat, and has no body section protruding more than 30 inches ahead of the leading edge of the windshield, such as delivery vans.

For these heavy non-SUVs, the full expensing deduction (\$250,000 for 2009) is available. This means that businesses will often be able to write off the full cost of the vehicle in the year it is purchased.

To claim these deductions, you must establish through contemporaneous records (such as, a mileage log) that you use the vehicle over 50% of the time for business. If your business usage later falls below 51%, a portion of the deductions previously claimed will need to be recaptured and reported as ordinary income in that year.

As you can see, the deductions for purchasing a heavy SUV (or non-SUV) for use primarily in your business can be substantial. Attached is a list of vehicles (SUVs and non-SUVs) qualifying for larger deductions. If you would like more details, please do not hesitate to call.

Sincerely,

Brad S. Kanter, C.P.A., E.A.