



4 - S E R E N I T Y , I N C .

## 2020 Last-Minute Vehicle Purchases to Save on Taxes

November 25, 2020

Dear Client:

Here's an easy question: Do you need more 2020 tax deductions? If yes, continue on.

Next easy question: Do you need a replacement business vehicle?

If yes, you can simultaneously solve or mitigate both the first problem (needing more deductions) and the second problem (needing a replacement vehicle), but you need to get your vehicle in service on or before December 31, 2020.

To ensure compliance with the "placed in service" rule, drive the vehicle at least one business mile on or before December 31, 2020. In other words, you want to both own and drive the vehicle to ensure that it qualifies for the big deductions.

Now that you have the basics, let's get to the tax deductions.

### 1. Buy a New or Used SUV, Crossover Vehicle, or Van

Let's say that on or before December 31, 2020, you or your corporation buys and places in service a new or used SUV or crossover vehicle that the manufacturer classifies as a truck and that has a gross vehicle weight rating (GVWR) of 6,001 pounds or more. This newly purchased vehicle gives you four big benefits:

1. The ability to elect bonus depreciation of 100 percent (thanks to the Tax Cuts and Jobs Act)
2. The ability to select Section 179 expensing of up to \$25,900
3. MACRS depreciation using the five-year table
4. No luxury limits on vehicle depreciation deductions

**Example.** On or before December 31, 2020, you buy and place in service a qualifying used \$50,000 SUV for which you can claim 90 percent business use. Your business cost is \$45,000 (90 percent x \$50,000). Your maximum write-off for 2020 is \$45,000.



\* Securities offered through Avantax Investment Services<sup>SM</sup>, Member FINRA, SIPC.

## 2. Buy a New or Used Pickup

If you or your corporation buys and places in service a qualifying pickup truck (new or used) on or before December 31, 2020, then this newly purchased vehicle gives you four big benefits:

1. Bonus depreciation of up to 100 percent
2. Section 179 expensing of up to \$1,040,000
3. MACRS depreciation using the five-year table
4. No luxury limits on vehicle depreciation deductions

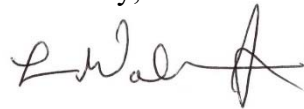
To qualify for full Section 179 expensing, the pickup truck must have

- a GVWR of more than 6,000 pounds, and
- a cargo area (commonly called a "bed") of at least six feet in interior length that is not easily accessible from the passenger compartment.

**Short bed.** If the pickup truck passes the more-than-6,000-pound-GVWR test but fails the bed-length test, tax law classifies it as an SUV. That's not bad. The vehicle is still eligible for either expensing of up to the \$25,900 SUV expensing limit or 100 percent bonus depreciation.

If you would like to discuss the vehicle strategy, please call me at 770-978-9565, or send an email to [LWalker@4-serenity.com](mailto:LWalker@4-serenity.com).

Sincerely,



Larry M. Walker, Jr., EA, CFS  
Enrolled Agent  
Certified Fund Specialist