



2021 Last-Minute Vehicle Purchases *Do you need more 2021 tax deductions?*

December 27, 2021

Dear Small Business Client,

Here's an easy question: Do you need more 2021 tax deductions? If yes, continue reading.

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 replacement vehicle in service on or before December 31, 2021.

To ensure compliance with the "placed in service" rule, drive the vehicle at least one business mile on or before December 31, 2021. In other words, you want to both own and drive the vehicle to ensure that it qualifies for the big deductions.

Note: *There are substantial and unprecedented delays with delivery of new vehicles this year due to the ongoing Covid-19 fallout. It is unclear at this time whether Congress will make any exceptions to the "placed in service" rule.*

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, 2021, 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 \$26,200

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

828 Burton Ridge Dr
Loganville, GA 30052
Office: 770.978.9565
Fax: 404.795.0467

www.4-Serenity.com
lwalker@4-serenity.com



3. MACRS depreciation using the five-year table
4. No luxury limits on vehicle depreciation deductions

Example. On or before December 31, 2021, 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 2021 is \$45,000.

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, 2021, 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 \$1,050,000
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 \$26,200 SUV expensing limit or 100 percent bonus depreciation.

If you would like to discuss vehicle strategies, please drop me an email.

Sincerely,

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