Tax-Saving Tips 02
2024 Last-Minute Vehicle Purchases

December 2024

To Small Business Clients,

DISCLAIMER: *The information provided herein does not, and is not intended to, constitute personalized financial or legal advice. The contents of the article are for general informational purposes only and should not be acted upon without specific professional legal or financial advice, based upon an individual's situation.*

Here's an easy question: Do you need more 2024 tax deductions? If the answer is yes, continue reading.

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

If so, you can simultaneously solve or mitigate the first problem (needing more deductions) and the second problem (needing a replacement vehicle) if you can get your replacement vehicle in service on or before December 31, 2024. Don't procrastinate.

To ensure compliance with the "placed in service" rule, drive the vehicle at least one business mile on or before December 31, 2024. 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, 2024, 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 benefits:

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1. Elect bonus depreciation of 60 percent
2. Elect Section 179 expensing of up to $30,500.
3. Elect MACRS depreciation using the five-year table.
4. Avoid the luxury limits that cap vehicle depreciation deductions.

Example. You buy a $100,000 heavy SUV, which you will use 90 percent for business use. Your write-off will look like this:

- $30,500 in Section 179 expensing
- $35,700 in bonus depreciation
- $4,760 in 20 percent MACRS depreciation, or $1,190 if the mid-quarter convention applies because you placed more than 40 percent of your MACRS assets in service in the final quarter of the year

So, the 2024 write-off on this $90,000 (90 percent business use) SUV can be as high as $70,960 ($30,500 + $35,700 + $4,760).

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, 2024, then this newly purchased vehicle gives you four big benefits:

1. Bonus depreciation of up to 60 percent
2. Section 179 expensing of up to $1,220,000
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.

Example. You pay $55,000 for a qualifying pickup truck that you use 91 percent for business. You can use Section 179 to write off your entire business cost of $50,050 ($55,000 x 91 percent).

Short bed. If the pickup truck passes the more-than-6,000-pound-GVWR test but fails the bed-length test, the tax code classifies it as an SUV. That's not bad. The vehicle is still eligible for expensing of up to the $30,500 SUV expensing limit and 60 percent bonus depreciation. (See the example above for how the SUV treatment works.)

3. Buy an Electric Vehicle

If you purchase an all-electric vehicle or a plug-in hybrid electric vehicle, you might qualify for a tax credit of up to $7,500. You take the credit first, and then follow the rules that apply to the vehicle you purchased.

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