

# Need a new business vehicle? Consider a heavy SUV

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Are you considering buying or replacing a vehicle that you'll use in your business? If you choose a heavy sport utility vehicle ("SUV"), you may be able to benefit from lucrative tax rules for those vehicles.

## **Bonus depreciation**

Under current law, 100% first-year bonus depreciation is available for qualified new and used property that's acquired and placed in service in a calendar year. New and pre-owned heavy SUVs, pickups and vans acquired and put to business use in 2021 are eligible for 100% first-year bonus depreciation. The only requirement is that you must use the vehicle more than 50% for business. If your business usage is between 51% and 99%, you can deduct that percentage of the cost in the first year the vehicle is placed in service. This generous tax break is available for qualifying vehicles that are acquired and placed in service through December 31, 2022.

The 100% first-year bonus depreciation write-off will reduce your federal income tax bill and self-employment tax bill, if applicable. You might get a state tax income deduction, too.

## **Weight requirement**

This option is available only if the manufacturer's gross vehicle weight rating ("GVWR") is above 6,000 pounds. You can verify a vehicle's GVWR by looking at the manufacturer's label, usually found on the inside edge of the driver's side door where the door hinges meet the frame.

Note: These tax benefits are subject to adjustment for non-business use. And if business use of an SUV doesn't exceed 50% of total use, the SUV won't be eligible for the expensing election, and would have to be depreciated on a straight-line method over a six-tax-year period.

Detailed, contemporaneous expense records are essential — in case the IRS questions your heavy vehicle's claimed business-use percentage.

That means you'll need to keep track of the miles you're driving for business purposes, compared to the vehicle's total mileage for the year. Recordkeeping is much simpler today, now that there are apps and mobile technology you can use. Or simply keep a small calendar or mileage log in your car and record details as business trips occur.

If you're considering buying an eligible vehicle, doing so and placing it in service before the end of this tax year could deliver a big write-off on your 2021 tax return. Before signing a sales contract, please consult with us to help evaluate the right tax moves for your business.

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