<u>Lower Your Taxes by Purchasing a Business Vehicle</u>

As we enter the final quarter of 2012, purchasing a new business vehicle may be an effective way to lower your 2012 tax bill. The tax code allows increased first-year depreciation limits for qualifying vehicles purchased and placed in service during 2012.

Taxpayers can claim up to an additional $8,000 of first-year depreciation (in addition to the normal maximum of $3,160) on automobiles in 2012, for a total maximum of $11,160. For light trucks, vans, and SUVs, the $8,000 additional first-year allowance is an addition to the normal maximum of $3,360 for a total maximum of $11,360. The vehicle must be new and purchased during 2012. Like the regular depreciation rules, the additional fist-year depreciation is reduced proportionately when business use is less than 100%.

Heavy SUVs continue to receive favorable treatment under tax laws. Business owners can expense up to $25,000 of the cost of a new heavy SUV (those with gross vehicle weight ratings between 6,1001 and 14,000 pounds) purchased in 2012 and sued more than 50% in their businesses. These vehicles qualify for 50% bonus depreciation in 2012. In addition, the rules that limit the amount of annual depreciation allowed on passenger automobiles do not apply to heavy SUVs. This means heavy SUVs are eligible for 50% bonus depreciation and unrestricted first-year depreciation, on top of the $25,000 that can be expensed.

For example, the 2012 deductions for a new $50,000 heavy SUV purchased in 2012 and used 100% for business could add up to $30,000 (50% bonus depreciation of $25,000 plus the $5,000 first-year depreciation deducted). The maximum first-year depreciation deduction for a $45,000 passenger automobile placed in service during 2012 and sued 100% for business is $11,160.

Other heavy vehicles (non-SUVs with over 6,000 po8nds gross vehicle weight) qualify for even more favorable treatment under the tax laws. Not only do these vehicles escape the rules that limit the amount of annual depreciation, they also qualify for a first-year expensing deduction of up to $139,000 for 2012. However, these more favorable rules only apply to vehicles that are not classified as SUVs under the lax law definition. This definition includes:

Vehicles 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 ñquad cabsò and ñextended cabsò with shorter cargo beds may not qualify. So when you go to the dealership, be sure to pack a tape measure!

Vehicles that seat more than nine passengers behind the driverôs seat, such as a hotel shuttle van.

Vehicles with an integral enclosure that fully encloses the driverôs compartment and loan carrying device; that do not have seating behind the driverôs seat; and that have no body section protruding more than 30 inches ahead of the leading edge of the windshield, such a s delivery vans.

For these heavy non-SUVs, businesses will often be able to write off the full cost of the vehicle. So, the 2012 deduction for a new $50,000 heavy non-SUV purchased in 2012 and used 100% for business could add up to $50,000.

Please contact your tax advisor if your have more questions on this tax-saving opportunity.