

Abstract: Many businesses need to invest in heavy sport utility vehicles (SUVs) to transport equipment and provide timely services. Fortunately, they may be able to claim valuable tax deductions for the purchases. This article provides an overview of the tax rules and benefits for SUV purchases.

Could your company use a heavy SUV?

Many businesses need to invest in heavy sport utility vehicles (SUVs) to transport equipment and provide timely services. Fortunately, they may be able to claim valuable tax deductions for the purchases. If you're thinking about buying one, be sure to brush up on the tax rules first.

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.

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 vehicle 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 challenges your business-use percentage.

Keep track of the miles you're driving for business purposes, compared to the vehicle's total mileage for the year. Recordkeeping is easier today because of the many mobile apps designed for this purpose. You could also simply keep a handwritten calendar or mileage log in your vehicle and record details as business trips occur.

The right moves

Are you considering buying an eligible vehicle and placing it in service in 2022? Before signing the sales contract, consult with us to help evaluate the right business tax moves.

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