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Need a Business Vehicle? Depreciation Opportunities Available Prior to Year End

There's still time to take steps that will reduce your business' 2011 federal tax bill. Soon-to-be-expiring tax breaks present attractive tax-planning opportunities, assuming your business has the requisite resources to make the investment.

Heavy-SUV Tax Breaks

If a business has a need for a large sport utility vehicle (SUV), potentially large tax breaks are scheduled to expire at year end. The 100% first-year bonus depreciation deduction, as well as the tax code Section 179 expensing provisions, present attractive opportunities to purchase a heavy SUV in 2011. To qualify for the maximum available tax break, the vehicle generally must have a manufacturer's gross vehicle weight rating of more than 6,000 pounds.

100% First-year Bonus Depreciation

A business may qualify for a 100% first-year depreciation deduction for a qualifying vehicle. To take advantage of this tax break, a business must place a new (used vehicles do not qualify) heavy SUV in service by December 31, 2011, and use it more than 50% for business purposes (the 100% deduction is limited to the business-use portion).

A business may also claim a 100% bonus depreciation deduction for qualifying new equipment and software that are placed in service by December 31, 2011. Generally, this tax break includes phones, computers, office furniture, machinery, and software – far-reaching enough that it applies to most business assets acquired before year end. Certain real estate improvements, such as those relating to sidewalks and drainage systems, qualify, too.

Section 179 Expensing

Under tax code Section 179, a business may deduct up to \$25,000 of the cost of a used heavy SUV. The vehicle must be placed in service prior to the end of the business'

tax year and used over 50% for business purposes. The balance of the business portion of the used SUV's cost may be depreciated under normal depreciation (MACRS) rules.

A \$500,000 first year Section 179 expensing limit otherwise applies to most business asset purchases for 2011. Generally, most business equipment and software qualify under this provision.

Be careful, though, if your business is expected to have a tax loss for the year. You cannot claim a Section 179 expensing deduction that creates or increases a business' tax loss.

Doeren Mayhew Can Help

Please contact Doeren Mayhew at (248) 244-3000 if you have any questions relating to these or any other tax breaks that may be advantageous to your business.

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