

New Luxury Auto Depreciation Rules

Luxury automobiles are considered passenger cars and light trucks or vans with 6,000 pounds gross vehicle weight (GVW) or less. This information is more for your customers than you, as most dealership owners drive demos which are covered under a separate set of rules.

Old rules. *Under pre-Act law, Luxury autos placed in service in 2017, the maximum amount of allowable depreciation deduction is \$3,160 for the first year, \$5,100 for the second year, \$3,050 for the third year, and \$1,875 for the fourth and later years in the recovery period.*

New rules. *Under the Act law, for Luxury autos placed in service after Dec. 31, 2017, the maximum amount of allowable depreciation is increased to: \$10,000 for the first year, \$16,000 for the second year, \$9,600 for the third year, and \$5,760 for the fourth and later years in the recovery period. The depreciation amounts are almost double!*

In addition to the first year depreciation amounts above, additional bonus depreciation is available for other industries and your customers. The maximum amount of the bonus depreciation deduction is \$8,000 for the first year (same as under pre-Act law).

Sales Person Pitch – *Due to the restrictions on luxury autos, your “business” customers may be better off tax-wise if they buy an SUV instead of a car. That's because the regular annual depreciation and expensing caps for luxury passenger automobiles don't apply to trucks or vans (and that includes SUVs) that weigh more than 6,000 pounds GVW. SUVs are eligible to expense, in the first year, up to \$25,000 of the cost of the SUV and then depreciate the remainder of the cost over 5 years.*

If you wish to discuss the impact of these rules on your particular situation, please email me at marc@crumbackassociates.com or give me a call at 443-286-7969