

Autos and Listed Property



Tab 11 Topics

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Business Vehicles—Quick Facts					
For business vehicles placed in service	2015	2014	2013	2012	2011
Passenger Autos—Unloaded Gross Vehicle Weight 6,000 lbs. or Less					
Depreciation limits (Section 280F limits)^{1,2}					
Placed in service year if special depreciation allowed	\$ 11,160	\$ 11,160	\$ 11,160	\$ 11,160	\$ 11,060
Placed in service year if no special depreciation allowed	3,160	3,160	3,160	3,160	3,060
Second-year limit	5,100	5,100	5,100	5,100	4,900
Third-year limit	3,050	3,050	3,050	3,050	2,950
All years thereafter	1,875	1,875	1,875	1,875	1,775
Leased auto income inclusion applies when FMV exceeds	\$ 17,500	\$ 18,500	\$ 19,000	\$ 18,500	\$ 18,500
Trucks and Vans—Loaded Gross Vehicle Weight 6,000 lbs. or Less					
Depreciation limits (Section 280F limits)^{1,2}					
Placed in service year if special depreciation allowed	\$ 11,460	\$ 11,460	\$ 11,360	\$ 11,360	\$ 11,260
Placed in service year if no special depreciation allowed	3,460	3,460	3,360	3,360	3,260
Second-year limit	5,600	5,500	5,400	5,300	5,200
Third-year limit	3,350	3,350	3,250	3,150	3,150
All years thereafter	1,975	1,975	1,975	1,875	1,875
Leased auto income inclusion applies when FMV exceeds	\$ 18,500	\$ 19,000	\$ 19,000	\$ 19,000	\$ 19,000
Heavy Vehicles—Over 6,000 lbs. (unloaded GVW for autos, loaded GVW for trucks and vans) and GVW 14,000 lbs. or less					
Section 179 expensing limit—per vehicle³	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Depreciation limit (annual Section 280F limit)	N/A	N/A	N/A	N/A	N/A
Vehicles Not Subject to Depreciation Limits					
Autos with unloaded gross vehicle weight (GVW) more than 6,000 lbs., trucks and vans with GVW (loaded) more than 6,000 lbs., and qualified nonpersonal-use vehicles are not subject to the Section 280F depreciation limits.					
Standard Mileage Rates					
Business miles	57.5¢	56¢	56.5¢	55.5¢	51¢: 1/1–6/30 55.5¢: 7/1–12/31
Depreciation component of business standard mileage rate	24¢	22¢	23¢	23¢	22¢
Charitable miles	14¢	14¢	14¢	14¢	14¢
Medical or moving miles	23¢	23.5¢	24¢	23¢	19¢: 1/1–6/30 23.5¢: 7/1–12/31
Section 280F Limit Applies When (Vehicles Placed in Service in 2015)					
Description	Basis equals or exceeds: ⁴				
	Auto	Truck or Van			
Qualifies for 50% special depreciation	\$ 18,600	\$ 19,100			
Doesn't qualify for special depreciation or taxpayer elects out	\$ 15,800	\$ 17,300			

¹ If any personal use, the limits must be reduced to reflect actual business/investment-use percentage.
² This limit applies to the sum of any special depreciation allowance, MACRS depreciation and Section 179 expense claimed.
³ Overall limit on Section 179 expensing also applies.
⁴ Assumes half-year convention applies.

DEDUCTING VEHICLE EXPENSES

See also IRS Pubs. 463 and 535

Taxpayers eligible to deduct vehicle expenses can compute their deduction using either the standard mileage rate method or the actual expense method.



Information needed to deduct expenses:

- Total miles driven for year.
- Total business/investment miles driven for year.
- Date vehicle placed in service.
- Basis in automobile (if actual cost method used).

Five or More Vehicles Used at the Same Time

Taxpayers who own or lease five or more vehicles used for business at the same time cannot use the standard mileage rate. This rule does not apply to taxpayers who use the vehicles at different times for business.

Example # 1: Marcia owns three cars and two vans that she uses at different times to call on her customers. She can use the standard mileage rate for all five vehicles because she does not use them all at the same time.

Example # 2: Tony and his employees use his four pickup trucks in his landscaping business. During the year, he traded in two of his old trucks for two newer ones. Tony can use the standard mileage rate for all six of the trucks he owned during the year, since he didn't use five or more at the same time.

Example #3: Chris owns a repair shop and an insurance business. He and his employees use his two pickup trucks and a van for the repair shop. Chris alternates between his two cars for the insurance business. No one else uses the cars for business purposes. Chris can use the standard mileage rate for the pickup trucks, van and the cars because he never has five or more vehicles used for business at the same time.

DEPRECIATING VEHICLES

Depreciation Limits for Passenger Autos

Depreciation (including the Section 179 deduction) for *passenger autos* is limited by annual caps under Section 280F. The depreciation limit is based on the year the vehicle is first placed in service.

See the [Business Vehicles—Quick Facts table on Page 11-1](#).

Passenger auto. A passenger auto is any four-wheeled vehicle that is made primarily for use on public streets, roads and highways and rated at 6,000 pounds or less of unloaded gross vehicle weight (GVW). *Exception:* Vehicles described at [Qualified nonpersonal-use vehicles on Page 11-9](#) are not passenger automobiles.

Trucks and vans. Trucks and vans are subject to different Section 280F limits than cars. A truck or van is a passenger automobile that is classified by the manufacturer as a truck or van and has a loaded GVW of 6,000 pounds or less.

See the [Business Vehicles—Quick Facts table on Page 11-1](#) for the limits that apply to vehicles placed in service during 2011–2015.

Comparison of Standard Mileage Rate and Actual Cost Methods (2015)¹

	Standard Mileage Rate Method	Actual Cost Method																														
Available to	<ul style="list-style-type: none"> • Self-employed individuals and employees using a car for business (including rental activities) (business mileage rate). • Individuals using a car for charitable, medical or job-related moving purposes (charitable, medical or job-related move rates). • Taxpayers who use the car for hire (such as a taxi). <p><i>Exceptions:</i> Not available to taxpayers who:</p> <ul style="list-style-type: none"> • Use five or more cars simultaneously in their business. • Claimed depreciation using a method other than SL, a Section 179 deduction or special depreciation allowance for the car. • Previously claimed actual car expense for a car they lease. • Are using an employer-provided vehicle for business. • Are rural mail carriers and receive a qualified reimbursement. 	<p>Any taxpayer using a car for business (including rental activities), charitable, medical or job-related moving purposes.</p> <p>Taxpayers can convert from the standard mileage rate method to the actual cost method any year. If the vehicle is not fully depreciated, the taxpayer must use SL depreciation based on remaining useful life.</p>																														
Calculating the deduction	<p>Multiply the following rates per mile by the number of miles driven:</p> <ul style="list-style-type: none"> • Business—57.5¢ per mile. • Charitable—14¢ per mile. • Medical—23¢ per mile. • Job-related move—23¢ per mile. <p>No additional deductions are allowed for the actual costs of owning and operating the car (such as depreciation or lease payments, maintenance, repairs, tires, gasoline, oil, insurance and registration fees).</p>	<p>Determine percentage of use (based on miles driven) for business, charitable, medical or job-related moving purposes. Apply that percentage to actual expenses of owning and operating the vehicle, including: gasoline and oil, tires, lease payments, maintenance and repairs, insurance, registration fees and licenses and basis for depreciation/Section 179 expensing.</p> <p><i>Exception:</i> For charitable, medical or job-related moving use may deduct actual out-of-pocket costs directly attributable to use. No portion of depreciation, Section 179, insurance or general maintenance expenses can be deducted.</p>																														
Additional deductible expenses	<ul style="list-style-type: none"> • Parking fees and tolls for business, charitable, medical or moving use. • Business percentage of interest and personal property taxes. (Employees must treat all interest as personal interest.) • Nonbusiness percentage of personal property taxes (itemized deduction). 																															
Depreciation and Section 179 rules	<ul style="list-style-type: none"> • Basis reduced (but not below zero) for business miles driven: <table border="1"> <thead> <tr> <th>Year</th> <th>Cents per mile</th> <th>Year</th> <th>Cents per mile</th> <th>Year</th> <th>Cents per mile</th> </tr> </thead> <tbody> <tr> <td>1994–1999</td> <td>12¢</td> <td>2005–2006</td> <td>17¢</td> <td>2011</td> <td>22¢</td> </tr> <tr> <td>2000</td> <td>14</td> <td>2007</td> <td>19</td> <td>2012–2013</td> <td>23</td> </tr> <tr> <td>2001–2002</td> <td>15</td> <td>2008–2009</td> <td>21</td> <td>2014</td> <td>22</td> </tr> <tr> <td>2003–2004</td> <td>16</td> <td>2010</td> <td>23</td> <td>2015</td> <td>24</td> </tr> </tbody> </table> <ul style="list-style-type: none"> • No Section 179 expense available. 	Year	Cents per mile	Year	Cents per mile	Year	Cents per mile	1994–1999	12¢	2005–2006	17¢	2011	22¢	2000	14	2007	19	2012–2013	23	2001–2002	15	2008–2009	21	2014	22	2003–2004	16	2010	23	2015	24	<ul style="list-style-type: none"> • Generally, 200% DB balance/five-year recovery period. But, can elect SL over five years (ADS) or 150% DB over five years (AMT method). See Tab 10 for MACRS depreciation tables. • Annual depreciation and first-year Section 179 expense limited under Section 280F for passenger autos, trucks and vans. • If used 50% or less for business, must use SL/five-year recovery period. No Section 179 expense available.
Year	Cents per mile	Year	Cents per mile	Year	Cents per mile																											
1994–1999	12¢	2005–2006	17¢	2011	22¢																											
2000	14	2007	19	2012–2013	23																											
2001–2002	15	2008–2009	21	2014	22																											
2003–2004	16	2010	23	2015	24																											

¹ These methods are available for cars, which includes a van, pickup or panel truck.

Note: See Revenue Procedure 2010-51 for detailed definitions and discussion of using standard mileage rates. Annual mileage rates are published in an IRS Notice. See Notice 2014-79 for 2015 amounts.

Special use vehicles. These vehicles are not subject to the Section 280F depreciation limits. This category includes the following:

- 1) An ambulance, hearse or combination ambulance-hearse used in a trade or business.
- 2) A vehicle used in the trade or business of transporting persons or property for compensation or hire (for example, a taxicab).
- 3) Qualified non-personal use vehicles. See [Qualified non-personal-use vehicles on Page 11-9](#).


Deduction Limits for Vehicles Placed in Service in 2015		
Description	\$280F Depreciation Limit ¹	Maximum \$179 Deduction
Car—GVW (unloaded) up to 6,000 lbs.	\$ 3,160 ²	\$ 3,160 ²
Truck or van—GVW (loaded) up to 6,000 lbs.	\$ 3,460 ²	\$ 3,460 ²
<ul style="list-style-type: none"> • Car—GVW (unloaded) over 6,000 lbs. but GVW not over 14,000 lbs. • Truck or van—GVW (loaded) over 6,000 lbs. but not over 14,000 lbs. 	N/A	\$ 25,000 ³
Vehicles described in the preceding row that: <ul style="list-style-type: none"> • Are designed to seat more than nine passengers behind the driver seat (for example, a hotel shuttle van), • Have an open cargo area or covered box that is at least six feet long and not readily accessible from the passenger compartment (for example, a pick-up with full-size cargo bed) or • Have an integral enclosure fully enclosing the driver compartment and load carrying device, do not have seating behind the driver's seat and have no body section protruding more than 30 inches ahead of the windshield (for example, a delivery van). 	N/A	\$500,000 ⁴
Truck or van—GVW (loaded) over 14,000 lbs.	N/A	\$500,000 ⁴

¹ First year limit; reduce by any Section 179 expense claimed.
² Plus \$8,000 if vehicle qualifies for special (bonus) depreciation.
³ Per vehicle limit. Also subject to annual overall limit (\$500,000 for 2015).
⁴ Annual limit for all assets expensed.

Section 179 Limit for Heavy Vehicles

Any four-wheeled vehicle primarily designed to carry passengers over public streets, roads or highways that is not subject to the Section 280F depreciation limits and is rated at 14,000 pounds GVW or less is subject to a \$25,000 limit on the Section 179 deduction. [IRC §179(b)(5)]

Thus, cars with an unloaded GVW over 6,000 pounds (over 6,000 loaded GVW if a truck or van) and that are rated at no more than 14,000 pounds GVW are subject to the limit. For exceptions, see the [Deduction Limits for Vehicles Placed in Service in 2015 table above](#).

 **Note:** Even though these vehicles are not subject to the 280F depreciation limits, they are still listed property.

The \$25,000 limit is per vehicle. It is not pro-rated for vehicles with less than 100% business use.

Website: GVWs for many vehicles can be found at www.intellichoice.com and www.carsdirect.com/new_cars/search. These amounts might also be found on a label attached to the inside edge of the driver's door.

Calculating Vehicle Depreciation

Step 1: Determine the business/investment use percentage by dividing business/investment miles driven during the year by total miles driven.

Step 2: Multiply the Section 280F limit for the year by the business/investment use percentage. This is the maximum amount that can be claimed as depreciation (including any Section 179 deduction) for the year.

Step 3: Determine the Section 179 deduction. The Section 179 deduction can only be claimed in the year the vehicle is placed in service and only if qualified business use is more than 50%.

Step 4: Determine the special depreciation allowance, if applicable.

Step 5: Determine MACRS depreciation based on a five-year recovery period. If qualified business use is 50% or less, depreciation must be calculated SL. See the [Vehicle Depreciation—MACRS Percentages table below](#).

Special rule if 100% special depreciation allowance claimed in prior year. The special depreciation rate was 100% for qualifying assets purchased and placed in service from September 9, 2010–December 31, 2011.

Generally, when depreciation is limited under Section 280F, the disallowed amount (called unrecovered basis) cannot be deducted until after the end of the vehicle's recovery period (subject to the Section 280F limits then in effect) [IRC §280F(a)(1)(B)]. Under that rule, claiming 100% special depreciation results in all of the vehicle's basis (assuming 100% business use) over the first year Section 280F limit becoming unrecovered basis, which cannot be depreciated until after the end of the vehicle's recovery period. To mitigate this result, taxpayers who claimed 100% special depreciation that was limited by Section 280F can elect a safe-harbor method for their unrecovered basis (Rev. Proc. 2011-26). Under the safe-harbor method, taxpayers compute depreciation after the first year by assuming special depreciation in the first year was 50% rather than 100%.

The safe-harbor method is elected by applying it to deduct depreciation on a vehicle subject to the Section 280F limit for the first year after the placed-in-service year.

Vehicle Depreciation—MACRS Percentages										
These rates are for a five-year recovery period. Apply the applicable rate to the vehicle's basis for depreciation each year of the recovery period. Basis for depreciation is the original basis multiplied by the business/investment use percentage, reduced by any Section 179 deduction, special depreciation allowance and credits.										
Year	200% DB—Used more than 50% for business ¹					Straight Line—Used 50% or less for business or SL elected				
	HY	MQ1	MQ2	MQ3	MQ4	HY	MQ1	MQ2	MQ3	MQ4
1	20.00%	35.00%	25.00%	15.00%	5.00%	10.00%	17.50%	12.50%	7.50%	2.50%
2	32.00	26.00	30.00	34.00	38.00	20.00	20.00	20.00	20.00	20.00
3	19.20	15.60	18.00	20.40	22.80	20.00	20.00	20.00	20.00	20.00
4	11.52	11.01	11.37	12.24	13.68	20.00	20.00	20.00	20.00	20.00
5	11.52	11.01	11.37	11.30	10.94	20.00	20.00	20.00	20.00	20.00
6	5.76	1.38	4.26	7.06	9.58	10.00	2.50	7.50	12.50	17.50

¹ Incorporates the switch from the 200% declining-balance (DB) method to the straight-line (SL) method when that method provides a greater deduction. Taxpayers can elect to use the 150% DB or the SL method with a five-year recovery period.

Example: In 2011, Matt purchased a new car for \$20,000 that he used 100% for business. The half-year convention applied. The car qualified for the 100% special depreciation allowance, but Matt's 2011 depreciation was limited to \$11,060 (the Section 280F limit). In 2012, Matt adopts the safe-harbor method. So, for 2012 and later, he is treated as if he claimed 50% special depreciation in 2011 for figuring his unrecovered basis and depreciation:

Deemed 2011 depreciation [(20,000 × 50%) + (10,000 × 20%)]....	\$ 12,000
Actual 2011 depreciation	< 11,060>
Unrecovered basis.....	\$ 940

The \$940 unrecovered basis is recovered beginning in 2017, subject to the 280F limits in effect.

For 2015, the car's depreciation is \$1,152 (11.52% per MACRS table × \$10,000 unadjusted depreciable basis if 50% special depreciation had been claimed in 2011). Because this amount is less than the 280F limit (\$1,775), Matt deducts \$1,152 in 2015.

Variation: Assume the same facts except the car cost \$18,400. For 2011, Matt's 100% special depreciation allowance is limited to \$11,060 (the Section 280F limit). Under the safe-harbor accounting method, he is deemed to have claimed 50% special depreciation for determining the car's unrecovered basis and its remaining adjusted depreciable basis, as follows:

Deemed 2011 depreciation [(18,400 × 50%) + (9,200 × 20%)]...	\$ 11,040
Actual 2011 depreciation	< 11,060>
Unrecovered basis (cannot be less than zero).....	\$ 0

Because there is no unrecovered basis under the safe-harbor method, Matt cannot use the MACRS depreciation tables to compute depreciation on his car for years after the placed-in-service year. Instead, he must compute depreciation using the 200% declining balance method (using the half-year convention) as follows:

Beginning unadjusted basis.....	\$ 18,400
2011 actual depreciation.....	< 11,060>
2012, 2013 and 2014 actual depreciation (\$2,936 + \$1,762 + 1,057) ¹	< 5,755>
Adjusted basis at 12/31/14	\$ 1,585
200% declining balance rate	40%
2015 depreciation.....	\$ 634

Because this amount is less than the 280F depreciation limit (\$1,775) Matt deducts \$634 as depreciation for 2015.

¹ 2012 depreciation is computed by multiplying the adjusted basis for depreciation at 12/31/11 (\$18,400 – 11,060 = 7,340) by 40% (the DDB percentage). 2013 and 2014 depreciation of \$1,762 and \$1,057, respectively are computed the same way.

Electing Straight-Line Depreciation

Even if business use exceeds 50%, a taxpayer may elect to depreciate an auto under the five-year SL method instead of using 200% declining balance. Electing SL depreciation avoids the recapture of excess deductions if business use drops to 50% or less in a later year. The election is made by entering "SL" in column (g) of Part V, Form 4562. The election applies to all five-year property placed in service in the year the election is made.

MAXIMIZING VEHICLE SECTION 179 EXPENSE

The Section 179 deduction is available only if a vehicle is used more than 50% for business in the year it is purchased and placed in service. Any amount claimed reduces the basis for computing MACRS depreciation.



The total of the Section 179 expense plus MACRS depreciation may not exceed the Section 280F limit. See limits (based on year placed in service) in the *Business Vehicles—Quick Facts table on Page 11-1*. See *Section 179 Deduction on Page 10-9* for details.

✦ Strategy: If a vehicle's depreciation deduction equals (or exceeds) the Section 280F limit, it is better to make the Section 179 expensing election for other assets (since the full amount of the allowed deduction for the vehicle can be reached with depreciation deductions). But, for low-basis vehicles or vehicles subject to the mid-quarter convention and placed in service during the fourth quarter, a Section 179 deduction can be used to reach the Section 280F limit.

See the *Section 280F Limit Applies When table on Page 11-1* to determine whether first-year depreciation exceeds the 280F limit.

Example #1: A used car is purchased on June 1, 2015, for \$8,000 and is used 100% for business. MACRS depreciation (using the half-year convention) is \$1,600 (\$8,000 × 20%). Since this is below the 280F limit (\$3,160), the taxpayer should elect to expense \$1,560 of the auto under Section 179 to bring the total deduction allowed up to \$3,160 for the year.

Example #2: Assume the same facts as Example #1, except the vehicle costs \$18,000. MACRS depreciation using the half-year convention is \$3,600 (\$18,000 × 20%), limited to a maximum deduction of \$3,160. A Section 179 expense election for the vehicle would not be advantageous in this situation.

Use the following formula to calculate the Section 179 deduction needed to maximize the first-year deductions for an auto when 100% special depreciation is not claimed.

Optimal Section 179 Deduction for Vehicles

- 1) Multiply auto's basis by business-use percentage 1) _____
- 2) Multiply the annual Section 280F depreciation limit by the business-use percentage 2) _____
- 3) Multiply line 1 by Factor A in table below..... 3) _____
- 4) Line 2 minus line 3. If zero or less, STOP. No Section 179 deduction should be claimed 4) _____
- 5) Divide the result in line 4 by Factor B in table below. Result equals Section 179 deduction 5) _____

Convention	Factor A	Factor B
Half year20	.80
MQ—1st quarter.....	.35	.65
MQ—2nd quarter.....	.25	.75
MQ—3rd quarter.....	.15	.85
MQ—4th quarter.....	.05	.95

Business Use 50% or Less

Passenger automobiles (see *Passenger auto on Page 11-2*) used 50% or less for business purposes are not eligible for Section 179 expense and must be depreciated over five years using the SL method. The half-year or mid-quarter conventions still apply. See the *Vehicle Depreciation—MACRS Percentages table on Page 11-3*.

Investment use. Investment use is not counted for determining whether a vehicle meets the more-than-50% business-use test (to qualify for accelerated depreciation and Section 179 expensing). But, the combined business/investment percentage is used to compute the depreciable portion of the vehicle's basis.



Example #1: An auto is used 40% in a trade or business and 25% for investment. *Method:* SL depreciation must be used based on 65% business/investment use.

Example #2: An auto is used 80% in a trade or business and 10% for investment. *Method:* Accelerated depreciation (200% DB) may be used and calculated based on 90% business/investment use.