

## Approach Angle – Fresh Ideas on Toyota Truck Features, Technology & News

### **Tax Breaks\* for Truck Buyers**

-- *The recent economic stimulus package may help businesses purchase vehicles.*

The \$600 tax rebate checks generated much of the news surrounding the economic stimulus package signed into law by President Bush last February. But the package also included tax breaks for small businesses that should encourage spending on new trucks, especially the Tundra Crew Max and Tacoma.

Most new full-size pickups already qualify for significant deductions when placed in service during 2008 and used 100% for business purposes. There are rules regarding the vehicle's Gross Vehicle Weight Rating (GVWR), the length of the cargo bed and percentage of business use that may restrict the tax advantages. Also, SUVs, vans and compact pickups have different criteria but may still qualify for lower levels of deductions. A certified tax advisor must be consulted to determine the potential deductions that might be available from the business use of any newly purchased vehicle.

For Tacoma, vehicles purchased in 2008 and used 100% for business may be able to deduct up to \$11,160 of the purchase cost. That's a \$7,900 increase over the 2007 deduction limit of \$3,260. This extra deduction under the economic stimulus package may not be available next year, meaning that purchasing a Tacoma for business purposes now could be a tax advantage in 2008.

In general, all Tundras with the standard (6.5-foot bed) or long bed (8.1-foot bed) that are used for 100% business may be able to claim a full Section 179 deduction for the entire purchase cost, which was true in 2007 and expected by most economic observers to be carried over for 2009. The Crew Max, of course, has a 5.5-foot bed, and if used 100% for business would be limited to \$25,000 plus any potential enhanced bonus depreciation on the purchase cost (minus the \$25,000). Under these rules, there could be an advantage to purchasing a Crew Max in 2008 over the deduction expected to be available in 2009.

In short, the economic stimulus probably didn't make a noticeable change for Tundras except for Crew Max.

Any tax deduction for Tundra or Tacoma will be reduced if the business use is less than 100%. For example, a new Tundra Double Cab purchased in 2008 and used for 80% business purposes may be eligible to deduct only up to 80% of the purchase price rather than 100%.

The stimulus package may motivate small businesses to replace their trucks earlier than planned. As with any tax-code issue, the rules are extremely complex. The deductions will not be available for every business or in every scenario involving the purchase of a new truck for business use. Remember, these stimulus provisions are for new purchases, not leases or used trucks.

To learn more, the following links to the Internal Revenue Service website may be helpful:

[http://www.irs.gov/irb/2008-12\\_IRB/ar18.html](http://www.irs.gov/irb/2008-12_IRB/ar18.html)

<http://www.irs.gov/newsroom/article/0,,id=179227,00.html>

<http://www.irs.gov/formspubs/article/0,,id=177054,00.html>

\* This summary does not constitute tax advice. All persons considering the use of this information must consult with their own tax advisors to determine the specific amount of benefit, if any, that they may be able to claim on their federal or state income tax returns. Purchasers must also see the Internal Revenue Service website at [ww.irs.gov](http://www.irs.gov) to confirm the availability of any federal tax deduction prior to purchasing. This is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code or applicable state or local tax law provisions.