

2007 Depreciation Dollar Limits for Business Autos, Light Trucks & Vans

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IRS has released the inflation-adjusted depreciation limits for business autos, light trucks and vans (including minivans) placed in service in 2007, and the annual income inclusion amounts for such vehicles first leased in 2007. The maximum annual depreciation deduction for these vehicles is the same as for vehicles that were placed in service last year, except that for business autos the dollar limits for the first and second years are \$100 higher and for light trucks or vans the dollar limit for the third tax year is \$100 lower.

Year-by-year limits: There are two sets of dollar limits for vehicles placed in service in 2007. One is for passenger autos that are not trucks or vans and are subject to the luxury-auto limits of Code Sec. 280F (they are rated at 6,000 pounds unloaded gross vehicle weight or less). The other is for light trucks or vans (passenger autos built on a truck chassis, including minivans and sport-utility vehicles (SUVs) built on a truck chassis) that are subject to the luxury-auto limits (they are rated at 6,000 pounds gross (loaded) vehicle weight or less). (Code Sec. 280F(d)(5)(A)) Certain non-personal-use vehicles are exempt from the luxury-auto limits regardless of their weight.

Following are the annual depreciation dollar caps for vehicles that are subject to the luxury-auto limits of Code Sec. 280F and placed in service in calendar year 2007.

For autos (not trucks or vans):

- \$3,060 for the placed in service year
- \$4,900 for the second tax year
- \$2,850 for the third tax year
- \$1,775 for each succeeding year

The dollar caps for the first and second tax years are \$100 higher than they were for autos first placed in service in 2006; all the other figures are the same as they were for autos placed in service in 2006.

The dollar caps for light trucks or vans (passenger autos built on a truck chassis, including minivans and sport-utility vehicles (SUVs) built on a truck chassis) are:

- \$3,260 for the placed in service year
- \$5,200 for the second tax year
- \$3,050 for the third tax year
- \$1,875 for each succeeding year

The dollar caps for the third tax year is \$100 lower than the amount for light trucks or vans first placed in service in 2006; all the other figures are the same as they were for light trucks or vans placed in service in 2006.

Caution: The dollar limits must be reduced proportionately if business/investment use of a vehicle is less than 100%.

Observation: Heavy SUVs—those that are built on a truck chassis and are rated at more than 6,000 pounds gross (loaded) vehicle weight—are exempt from the luxury-auto dollar caps because they fall outside of the Code Sec. 280F(d)(5) definition of a passenger auto. Under Code Sec. 179(b)(6), not more than \$25,000 of the cost of a heavy SUV placed in service after Oct. 22, 2004 and used 100% for business may be expensed under Code Sec. 179. The balance of the heavy SUV's cost may be depreciated under the regular rules that apply to 5-year MACRS property (e.g., a 20% first-year depreciation allowance if the half-year convention applies for the placed in service year).

RIA References: For business auto depreciation limits, see FTC 2d/FIN ¶ L-10001; United States Tax Reporter ¶ 280F4; TaxDesk ¶ 267,620; TG ¶ 14282.