



The Glynn Group, Ltd.

September 14, 2007

Issue # 265

SUV Tax Breaks under Attack Again

As you probably know, SUVs that have gross vehicle weight ratings—the manufacturer's maximum weight rating when loaded to capacity—above 6,000 pounds are exempt from the stingy IRC sec. 2280F luxury vehicle depreciation and expensing limitation.

These gas-guzzling heavy vehicles may not be very environmentally friendly or economically sound (they cost a fortune to fill up these days), but when it comes tax time, they are hard to beat—at least for the time being. For example, the maximum first-year depreciation deduction for a \$40,000 heavy SUV placed in service during 2007 and used 100% for business will generally be \$28,000 [\$25,000 Section 179 deduction + \$3,000 MACRS deduction (20% x \$15,000)]. In contrast, the maximum first-year depreciation deduction for a \$40,000 auto used 100% for business will be limited to a paltry \$3,060 (\$3,260 for a light truck or van).

This could all change. Congress is again looking at slashing this benefit. Currently, there is a provision in the Renewable Energy and Energy Conservation Tax Act of 2007 (H.R. 2776), that would subject all SUVs with a gross vehicle weight of over 6,000 pounds and up to 14,000 pounds to the Section 280F luxury auto limits. The bill also would repeal the special \$25,000 heavy SUV expensing limit in Code Sec. 179 (b)(6). These changes, if adopted as proposed, would be effective for property placed in service after 12/31/07.

Not the Law Yet, But Something to Watch. We reiterate that this is just a provision on proposed legislation. It may or may not ever make it into the law and, effective dates are always up for change. However, we thought you should factor it into your future tax planning if you are considering purchasing one of these vehicles. You may want to do so sooner rather than later.

Observation: Legislators have tried several times before to close the SUV loophole, but the idea never gained traction. This time around, there may be substantial opposition to doing anything that could hurt sales of heavy SUVs, a major source of income for the ailing U.S. auto industry. We'll keep you posted.

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