PRIME

VEHICLE EXPENSES



There are very few situations in which a business owner would not need a vehicle. Whether you're traveling out of state for client meetings, hauling deliverables, or even driving to the store for office supplies, you can leverage your vehicle usage for tax savings!

Determining which vehicle deduction is right for your situation is going to depend on a variety of factors, but there are two key strategies to consider:

MILEAGE

The mileage deduction essentially allows you to deduct a set amount of cash per mile driven for business. The 2026 standard mileage rate is $0.725 per mile. So, if you drove 1,000 miles for business purposes, you can write off $725 in vehicle expenses. Pretty straight forward stuff!

ACTUAL

The actual deduction allows you to deduct the actual costs of operating the vehicle, proportionate to the amount that the vehicle is used for business purposes. These expenses include operating expenses, like oil, registration, and insurance; maintenance expenses, like new brakes and new tires; and repair costs as needed.



WHAT ABOUT DEPRECIATION?

Another expense that can (and should!) be utilized as part of the actual deduction is your car's depreciation. All of these deductions evaluate the value of the car proportionate to its business use. For example, if you purchased a $100,000 car and 50% of its use is for business purposes, the starting value for depreciation deductions is $50,000. This category gets a little complicated, but there are three key types of depreciation you may consider using:

- **Standard Depreciation**
  You depreciate the business-usage value of the car (at the time it's first put in service of your business), typically over 5 years.
- **Special Depreciation—Section 179**
  You write off up to 100% of the business-usage value of the car in the first year it's placed in service of your business, as long as it qualifies.
- **Special Depreciation—Bonus Depreciation**
  You write off a percentage of the business-usage value of your vehicle according to the depreciation allowance for that tax year, as long as it qualifies.

QUALIFICATIONS

Claiming business-related vehicle deductions requires that you, of course, have a business and a vehicle. Since there are a few various types of vehicle-related deductions, the qualifications will vary based on the strategy you're aiming to implement.

- **Mileage deduction:** The only real qualifier here is that you have used your vehicle for business purposes and tracked the miles you drove for explicit business purposes.
- **Actual deduction + standard depreciation:** Once again, the main qualifier here is that you use your vehicle for business purposes and have tracked the miles you drove for business purposes. However, you must have also tracked any vehicle expenses you expect to utilize in your deduction strategy. This strategy will be the most impactful if you're using your vehicle for business purposes for 50% of the time (or more), but this is not required.
- **Special depreciation:** In order to qualify for using section 179 depreciation and/or bonus depreciation, your vehicle must be used primarily for business purposes (50% or more). To fully maximize the deduction allowance in these depreciation strategies, we recommend the vehicle have a weight of more than 6,000 (but less than 14,000) pounds.

IMPLEMENTATION

For a detailed implementation checklist and other helpful resources, scan the QR code below or click **here**.

GOT QUESTIONS?

Email **decoder@primecorporateservices.com**
or contact **(855) 577-4639** for more information.

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