

Auto Depreciation Limits

Cross References

- Rev. Proc. 2018-25
- IRC §280F

When the actual expense method is used for deducting the business use of a vehicle, the cost of the vehicle is depreciated under MACRS using a 5-year recovery period. The Section 179 deduction is also allowed for business vehicles. The annual deduction for depreciation, including any Section 179 deduction or special depreciation allowance, is limited to statutory amounts. The limits are adjusted each year for inflation.

The annual deduction is the lesser of:

- The vehicle's basis multiplied by the business use percentage multiplied by the applicable depreciation percentage, or
- The section 280F limit multiplied by the business percentage.

The Tax Cuts and Jobs Act increases the IRC section 280F limitations for vehicles placed in service after 2017. The new law also removes the separate section 280F limitations for trucks and vans. The chart below reflects the new section 280F limits for 2018 in comparison to previous years.

Vehicle Depreciation Limitations (Section 280F)				
Tax year first placed in service:	2018	2017	2016	2015
<i>Auto depreciation limitations based on 100% business or investment use:</i>				
1st year if special depreciation is claimed	\$18,000	\$11,160	\$11,160	\$11,160
1st year depreciation	\$10,000	\$3,160	\$3,160	\$3,160
2nd year depreciation	\$16,000	\$5,100	\$5,100	\$5,100
3rd year depreciation	\$9,600	\$3,050	\$3,050	\$3,050
Each succeeding year	\$5,760	\$1,875	\$1,875	\$1,875
<i>Trucks and vans depreciation limitations based on 100% business or investment use (same as autos for years after 2017)</i>				
1st year if special depreciation is claimed	\$18,000	\$11,560	\$11,560	\$11,460
1st year depreciation	\$10,000	\$3,560	\$3,560	\$3,460
2nd year depreciation	\$16,000	\$5,700	\$5,700	\$5,600
3rd year depreciation	\$9,600	\$3,450	\$3,350	\$3,350
Each succeeding year	\$5,760	\$2,075	\$2,075	\$1,975

Notes: If business or investment use is less than 100%, the depreciation limit equals the amount listed above multiplied by the business or investment percentage.

The 50% and 100% special depreciation allowance does not apply to section 280F property. Instead, the section 280F limits are increased by \$8,000 for the first year.

Vehicles Acquired Before September 28, 2017 and Placed in Service During 2018

The Tax Cuts and Jobs Act eliminated the phase-down of the \$8,000 additional bonus depreciation under prior law for autos placed in service after 2017. The prior law phase-down still applies to autos acquired before September 28, 2017 and placed in service after September 27, 2017. The chart below reflects the new section 280F limitations for vehicles placed in service during 2018 if the vehicle was acquired before September 28, 2017.

Tax year first placed in service:	2018
<i>Auto depreciation (including trucks and vans) limitations based on 100% business or investment use:</i>	
1st year if special depreciation is claimed	\$16,400
1st year depreciation (no special depreciation claimed)	\$10,000
2nd year depreciation	\$16,000
3rd year depreciation	\$9,600
Each succeeding year	\$5,760