

Vehicle Depreciation Limits

Cross References

- Rev. Proc. 2020-37
- 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 50% and 100% special depreciation allowance does not apply to IRC section 280F property. Instead, these limits are increased by \$8,000 for the first year.

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 IRC section 280F limit multiplied by the business percentage.

The IRC section 280F limits are adjusted each year for inflation. The Tax Cuts and Jobs Act (TCJA) increased these limitations for vehicles placed in service after 2017. The TCJA also removed the separate limitations for trucks and vans. The chart below reflects the new IRC section 280F limits for 2020 in comparison to previous years.

Vehicle Depreciation Limitations (IRC §280F)				
Tax year first placed in service:	2020	2019	2018	2017
<i>Vehicle depreciation limitations based on 100% business or investment use:</i>				
1st year if special depreciation is claimed	\$18,100	\$18,100	\$18,000	\$11,160
1st year depreciation	\$10,100	\$10,100	\$10,000	\$3,160
2nd year depreciation	\$16,100	\$16,100	\$16,000	\$5,100
3rd year depreciation	\$9,700	\$9,700	\$9,600	\$3,050
Each succeeding year	\$5,760	\$5,760	\$5,760	\$1,875