



51A Middle Street, Newburyport, MA 01950

Phone: 800-588-7039

contact@bhfe.com

www.bhfe.com

Course Information

Course Title: *Auto Rules #492224*

Recommended CPE credit hours for this course

In accordance with the standards of the National Registry of CPE Sponsors and the IRS, CPE credits have been granted based on a 50-minute hour.

CPA 2 (All states)

National Registry of CPE Sponsors ID Number: 107615.

Sponsor numbers for states requiring sponsor registration:

Florida Division of Certified Public Accountancy: 0004761 (Ethics #0011467)

Hawaii Board of Public Accountancy: 14003

New York State Board of Accountancy (for ethics): 002146

Ohio State Board of Accountancy: CPE.51 PSR

Pennsylvania Board of Accountancy: 178025

Texas State Board of Accountancy: 009349

EA/OTRP 2 (All States) IRS: Qualified Sponsor number: *FWKKO*.

Course Description

Operating costs for vehicles used in the course of a taxpayer's business are deductible. Thus, when taxpayers use their vehicles in their businesses or employment, they can deduct that portion of the cost of operating their vehicle. Such costs that can be deducted are property taxes that are paid on their vehicle if deductions are itemized on Schedule A. This mini-course reviews the apportionment of personal and business use, the actual cost method, the standard mileage method, and expensing. Moreover, this presentation informs practitioners about topics such as the benefits and costs of leasing versus owning and working condition fringe benefits.

Course Content

Publication/Revision Date: 3/7/2024.

Author: Danny Santucci, J.D.

Final exam (online): Ten questions (multiple-choice).

Program Delivery Method: Self-Study (NASBA QAS Self-Study/interactive)

Subject Codes/Field of Study

NASBA (CPA) Taxes; IRS (EA, OTRP): Federal Tax Law.

Course Level, Prerequisites, and Advance Preparation Requirements

Program Level: Overview.

This program is appropriate for professionals at all organizational levels.

Prerequisites: Basic familiarity with federal taxation

Advance Preparation: None

Instructions for Taking This Course

- **Log in to your secure account at www.bhfe.com. Go to "My Account."**
- **You must complete this course within one year** of purchase (If the course is "Expired," contact us and we will add the latest edition of the course to your account (no charge).
- **To retain the course-PDF after completion (for future reference) and to enable enhanced navigation:** From "My Account," Download and save the course-PDF to your computer. This will enable the search function (Menu: Edit>Find) and bookmarks (icon on left side of document window).
- **Complete the course by** following the learning objectives listed for the course, studying the text, and, if included, studying the review questions at the end of each major section (or at the end of the course).
- **Once you have completed studying the course** and you are confident that the learning objectives have been met, answer the final exam questions (online).

Instructions for Taking the Online Exam

- **Log in to your secure account at www.bhfe.com. Go to "My Account."**
- A passing grade of at least **70%** is required on the exam for this course.
- You will have three attempts to pass the exam (call or email us after three unsuccessful attempts for instructions).
- The exam is not timed, and it does not need to be completed in one session.
- For a printed copy of the exam questions, open the exam and press "Print Exam."
- Once you pass the exam, the results (correct/incorrect answers) and certificate of completion appear in "My Account." A confirmation email is also sent.
- CFP Board and IRS credit hours, if applicable, are reported on Tuesdays and at the end of the month.

Have a question? Call us at 800-588-7039 or email us at contact@bhfe.com.

Learning Assignment & Objectives

As a result of studying the assigned materials, you should be able to meet the objectives listed below.

ASSIGNMENT

At the start of the materials, participants should identify the following topics for study:

- * Apportionment of personal & business use
- * Deduction limitations using the actual cost method
- * Expensing - §179
- * Predominate business use rule
- * Auto leasing
- * Standard mileage method
- * Auto trade-in vs. sale
- * Employer-provided automobile
- * Nonpersonal use vehicle
- * Reporting of an employer-provided automobile

Learning Objectives

After reading the materials, participants will be able to:

1. Recognize tax vehicle depreciation (§168) and expensing (§179) methods including their requirements and limitations under MACRS and recognize basis, business use and deduction computations.
2. Specify the predominate business use rule recognizing the result of less than 50% qualified business use, cite the pros and cons of auto leasing, and determine how to estimate monthly lease payments indicating what factors affect payments so clients may recognize leasing costs and know common leasing terms.
3. Identify items included under the standard mileage method recognizing items that may be separately deducted, determine the taxable fringe benefit value of an employer provided automobile using the general and special valuation methods and specify several qualified nonpersonal use vehicles stating what reporting standards apply.

After studying the materials, answer exam questions 1 to 10.

Notice

This course and test have been adapted from materials and information contained in the above text and any supplemental material provided. This course is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional advice and assumes no liability whatsoever in connection with its use. Since laws are constantly changing, and are subject to differing interpretations, we urge you to do additional research and consult appropriate experts before relying on the information contained in this course to render professional advice.

Table of Contents

Apportionment of Personal & Business Use	1
Car Pool	2
Fines	2
Parking Fees	2
Interest Deduction Limit for Individuals	3
Self-Employed Exception.....	3
Property Taxes.....	3
Sales Taxes	3
Former Sales Tax Deduction for Qualified Vehicles (Expired) - §164	3
Actual Cost Method	4
Deduction Limitations	5
Definition of Car	5
Depreciation & Expensing	5
Basis	6
Trade-In of Old Car for New.....	6
Placed in Service.....	6
Conversion to Business Use - “Lesser of” Rule	7
MACRS - 5 (Actually 6) Years	7
200% Double Declining Balance Method	7
150% Declining Balance Method Election	8
Straight-Line Method Election.....	8
Half-Year Convention	8
Mid-Quarter Convention	9
Depreciation “Caps” - §280F(a)	10
Passenger Auto Depreciation Safe Harbor Method - R.P. 2019-13.....	12
No Separate Depreciation Caps for Trucks & Vans	14
Post-Recovery Period Depreciation - Max Reduction Rule	14
Partial Business Use	15
Improvements	15
Bonus (or Additional First-year) Depreciation - §168(k).....	16
Expensing - §179	16
Cost of Car.....	17
Basis Reduction	17
Making the §179 Election	18
Business Use Reduction	18
SUV Limitation	18
Predominate Business (More Than 50%) Use Rule.....	19
Qualified Business Use.....	20
Exclusions.....	21
Change From Personal to Business Use	22
Employee Use of Their Own Car.....	22
Failure to Meet Predominate Business Use Rule.....	22
Later Reduction in Qualified Use	23
ITC Recapture - Highly Unlikely	23
Straight-line Depreciation.....	23
Excess Depreciation Recapture.....	24

Short Tax Year Depreciation Reduction.....	24
Auto Leasing	24
Pros & Cons.....	25
Leasing Terminology.....	25
Closed-End vs. Open-End Lease	28
Formula for Monthly Payments.....	28
Leasing Deduction Restrictions.....	29
Income Inclusion Amount	29
Separate Lease Inclusion Table for Trucks & Vans	30
Cars Leased For 30 Days or More After 1986.....	30
Computation of Inclusion	30
Nine-Month Following Year Rule.....	33
Buying v. Leasing	33
Standard Mileage Method	36
Limitations on Standard Mileage Method	37
Use, Ownership & Prior Depreciation.....	37
Switching Methods	37
Charitable Transportation	38
Medical Transportation.....	39
Auto Trade-In vs. Sale.....	39
Working Condition Fringe Benefits	40
Qualified Transportation - §132(f)	41
Employer-Provided Automobile.....	42
General Hypothetical Valuation Method.....	42
Special Method #1 - Lease Value.....	42
Annual Lease Value - For Entire Calendar Year	43
Fair Market Value	44
Safe Harbor Value.....	45
Items Included in Annual Lease Value Table.....	45
Prorated Annual Lease Value - For 30 Days or More	46
Daily Lease Value - For Less Than 30 Days	46
Optional Fleet-Average Valuation Rule (FAVR)	46
Special Method #2 - Cents per Mile	47
Regular Use - 50% Business.....	47
Mileage Rule - 10,000 Miles	48
Items Included In Cents-Per-Mile Rate	48
Special Method #3 - Commuting Value	49
Control Employee	49
Employer-Provided Transportation in Unsafe Areas	50
Qualified Employee.....	51
Nonpersonal Use Vehicles - 100% Excludable	51
Clearly Marked Police or Fire Vehicles.....	52
Unmarked Law Enforcement Vehicles	52
Law Enforcement Officer	52
Trucks & Vans.....	53
Pickup Truck Guidelines	53
Van Guidelines	53
Qualified Automobile Demonstration Use	54
Full-time Automobile Salesperson	54
Restrictions on Personal Use	55
Reporting by Employer	55

Election Not to Withhold for Income Taxes	55
Value Reported	55
Accounting Period	56
Special Accounting Period - Pour Over Method	56