



# Tax Rules for Vehicles

## Course Instructions

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## Instructions to Participants

To assist the participant with navigating the learning process through to successful completion, this course has been produced with the following elements:

**Overview of Topics / Table of Contents:** In this electronic format you'll find a slide menu on the left side of the screen. This serves as your overview of topics for the program. You may navigate to any topic by clicking on the slide name.

**Definition of Key Terms / Glossary:** You'll find key terms defined for this program in the course information on the following page(s).

**Index / Key Word Search:** You can find information quickly in the PDF materials (slide handout plus any additional handouts) by using the search function built into your Adobe Reader.

**Review Questions:** Questions that test your understanding of the material are placed throughout the course. You'll see explanatory feedback pop up for each incorrect answer, and reinforcement feedback for the correct answer for every review question.

**Final Exam:** The final exam measures if you have gained the knowledge, skills, or abilities outlined in the learning objectives. You may submit your final exam at the end of the course. Exams are graded instantly. A minimum score of 70% is required to receive the certificate of completion. **You have one year from date of purchase to complete the course.**

**Course Evaluation:** Once you have successfully passed your online exam, please complete our online course evaluation. Your feedback helps Wolters Kluwer maintain its high quality standards!

## About This Course

This section provides information that is important for understanding the course, such as course level and prerequisites. Please consider this information when filling out your evaluation after completing the course.

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### Course Description

This course will cover the tax rules for cars, light trucks, and vans.

### Learning Objectives

Upon successful completion of this course, participants should be able to:

- Describe the limitations on deducting depreciation for business vehicles
- Identify the situations in which personal use of a vehicle is tax deductible
- Explain the tax incentives for purchasing certain types of vehicles
- Recognize expense taken into account when deducting the costs of a business vehicle purchased in 2020
- Describe correct statements about driving for medical purposes
- Identify which elements have to be substantiated when a taxpayer uses the standard mileage rate
- Recognize which method to use for figuring an employee's personal use of a company vehicle

### NASBA Field of Study

Taxes. Some state boards may count credits under different categories—check with your state board for more information.

### Course Level

Basic. Program knowledge level most beneficial to CPAs new to a skill or an attribute. These individuals are often at the staff or entry level in organizations, although such programs may also benefit a seasoned professional with limited exposure to the area.

### Prerequisites

None.

### Advance Preparation

None.

### Course Expiration

AICPA and NASBA Standards require all Self-Study courses to be completed and the final exam submitted within 1 year from the date of purchase as shown on your invoice. No extensions are allowed under AICPA/NASBA rules.

## Key Terms

- **Accountable Plan:** An accountable plan is any reimbursement or other expense allowance arrangement of an employer that: (1) provides reimbursements, advances or allowances (including per diem allowances, allowances for meals and incidental expenses, and mileage allowances) to employees for any deductible business expenses paid or incurred by the employee in connection with the performance of services as an employee; (2) requires employees to substantiate to the employer the expenses covered by the arrangement; and (3) requires employees to return any amount in excess of the substantiated expenses covered under the plan. If all three requirements are met, then the amounts paid under the arrangement are excluded from the employee's gross income, need not be reported on the employee's Form W-2, and exempt from withholding and the payment of employment taxes.
- **Depreciation:** Depreciation is the gradual decrease in value of an asset due to the passage of time and the use to which the asset is put. A taxpayer is permitted a deduction for the depreciation of the cost of capital assets used in a trade or business or for the production of income. The taxpayer's cost or other basis in property may be deducted under one of several depreciation systems depending on when the asset was placed in service or whether it is tangible or intangible. The accelerated cost recovery system is mandatory for most tangible property placed in service after 1980. The modified accelerated cost recovery system is mandatory for most tangible property placed in service after 1986. Both of these systems generally provide for a deduction of the cost over statutory periods that are shorter than the useful life of the asset. For intangible assets, the cost or other basis is deducted under a system called amortization.
- **Expenses:** Expenses are expenditures incurred by a taxpayer for any purpose. For federal income tax purposes, expenses are divisible into three general categories: (1) trade and business expenses; (2) expenses incurred with the production of income (including the management, conservation, or maintenance of property held for the production of income or incurred for the determination, collection, or refund of any tax); and (3) personal expenses. The first two categories of expenses are generally deductible in determining taxable income. Personal expenses, however, are generally not deductible unless specifically allowed under the Code (i.e., medical expenses, charitable contributions, dependent care expenses, alimony, taxes, and certain interest). Expenses are to be distinguished from capital expenditures.
- **Standard Mileage Rate:** A set rate the IRS allows for each mile driven by the taxpayer for business, charitable, medical or moving purposes. The standard mileage rate can be taken in lieu of actual expenses incurred when calculating deductible automobile expenses related to any of the four activities above.