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WORTH.COM

25

VOLUME 22 | EDITION 04



Sterling Investment Advisors Ltd.

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“Can I use my business to purchase an exotic car?”

By Timothy E. Flatley

You have always had your eye on that “special” car. After years of hard work, you are finally in a position to own a car meant for weekend enjoyment and select occasions. Having your business make the purchase for you is an often overlooked opportunity.

There are a number of advantages to having your business purchase a luxury car. First and foremost, you can avoid using your personal cash flow to finance the expense. The money spent may ultimately affect your personal bottom line, as the expense trickles through the business and dilutes the income you derive from it. However, the psychological benefit of allowing your savings to remain intact can be a powerful motivator to take the leap and fulfill one of your lifelong aspirations.

Additionally, if you have young drivers at home, you may be better served leaving the vehicle off your home auto policy, where it can negatively influence what might already be a sizable premium. While we are on the subject of insurance, we strongly suggest seeking professional

driving training during the purchase of a high-performance car. There are a surprisingly large number of accidents for new owners of this car category.

There may also be some significant tax advantages to having the business serve as the owner. We asked Julian Sur, a CPA in Berwyn, Pa., to take us through the tax considerations. Mr. Sur says that if you use the car in your business and use it only for that purpose, you may deduct its entire cost of operation. However, if you use the car for both business and personal purposes, you may deduct only the cost of its business use. According to Mr. Sur, the law requires that you substantiate your expenses with adequate records or sufficient evidence to support your own statement.

You may generally calculate the amount of your deductible car expense using one of two methods: the standard mileage rate method or the actual expense method. Mr. Sur goes on to say that depreciation may also be claimed for purchased autos until you recover your full basis in

the car. Please be aware there are limits to the annual depreciation deduction for qualified passenger automobiles and depreciation may not be claimed if the standard mileage rate is used.

Even though your luxury car is generally intended for enjoyment during your time away from the job, the tax advantages may be sufficient reason to consider even the occasional work-related usage. If you decide to also drive the luxury car for business, there may be added tax advantages to leasing. **You should consult your professional tax advisor to discuss the tax implications and benefits prior to buying a luxury auto for use in your business.**

The purchase of a luxury car is a substantial decision. Buyers must evaluate many factors including cost, maintenance expenses and erosion of value over time. After concluding that you are in a position to move forward, giving special consideration to buying a luxury car through your business could prove to be a valuable exercise. ☺



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REPRINTED FROM
Worth®
THE EVOLUTION OF FINANCIAL INTELLIGENCE

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