



# OFFICE OF ADVOCACY FACTSHEET

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## ***IRS Exempts Certain Vans and Light Trucks from Depreciation Limits Advocacy Applauds Proposal and Urges its Expansion***

On October 6, 2003, the U.S. Small Business Administration's Office of Advocacy (Advocacy) filed comments with the Internal Revenue Service (IRS) on new temporary and proposed regulations that exclude vans and trucks that are specially modified or manufactured for use in a business or trade from the depreciation limits on passenger vehicles used in business or trade. The comments can be found at [www.sba.gov/advo/laws/comments](http://www.sba.gov/advo/laws/comments).

- When Congress placed limits on depreciation of passenger vehicles used in business or trade, it authorized the IRS to issue regulations to exclude vans and light trucks from the cap. Small businesses have long supported regulations that would exclude vans and light trucks from these limits, allowing full depreciation of vans and light trucks required in business or trade.
- On July 7, 2003, the IRS issued an immediately effective temporary regulation providing a limited exclusion for vans and light trucks, under 6,000 pounds, that are specially designed or modified to the extent that it is unlikely they would be used for personal use. Small business taxpayers are already taking advantage of the exception and purchasing specially manufactured and modified vans and light trucks needed in business or trade.
- The IRS also issued a notice of proposed rulemaking by cross reference to the temporary regulations. The IRS requested comment on the scope of the exclusion. In its comment letter, Advocacy commended the IRS for its outreach to affected small entities and urged the IRS to consider expanding the exception with a "use" test in lieu of the requirement that the vans and trucks be specially modified or manufactured for a special business purpose.
- Advocacy urged the IRS to perform a small business analysis and conduct further outreach to determine alternative approaches to expand the exception to unmodified vans and light trucks required in business and trade, where the business could substantiate the valid business need and that use of the vehicle for personal purposes was *de minimis*.
- Advocacy noted that on October 2, 2003, the IRS issued a related Revenue Procedure (RP-2003-75) that raised the depreciable amount on unmodified trucks and vans used in business to \$23,500 when combined with the 50 percent bonus depreciation enacted in the Jobs and Growth Reconciliation Act of 2003. While this is an improvement over the current cap, Advocacy urged expansion of the exception to enable taxpayers to fully depreciate unmodified vans and light trucks required for use in a business or trade.

For more information, visit the Office of Advocacy website at [www.sba.gov/advo](http://www.sba.gov/advo) or contact Russell Orban at 202-205-6946.