



1302 Orange Avenue  
Winter Park, Florida 32789-4912

(407) 599-5900  
Toll Free (866) 477-6912  
Fax (407) 599-5901

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Dear Clients and Friends:

The following is an important tax development that has occurred in 2019 that may affect you.

2019 luxury auto depreciation dollar limits and lease income add-backs released. Annual depreciation and expensing deductions for so-called luxury autos are limited to specific dollar amounts. The dollar limits amounts are inflation-adjusted each year. The IRS has announced that for autos (which includes trucks or vans) acquired and first placed in service during 2019, the dollar limit for the first year an auto is in service is \$18,100 (\$10,100 if the bonus first-year depreciation allowance does not apply, for example, because the taxpayer elects out of bonus first-year depreciation); for the second tax year, \$16,100; for the third tax year, \$9,700; and for each succeeding year, \$5,760. These dollar limits are \$100 higher than the dollar limits that applied for 2018 (except for the post-third tax year figure, which remains the same).

A taxpayer that leases a business auto may deduct the part of the lease payment representing its business/investment use. So that auto lessees can't avoid the effect of the luxury auto limits, however, taxpayers must include a certain amount in income during each year of the lease to partially offset the lease deduction. The amount varies with the initial fair market value of the leased auto and the year of the lease, and is adjusted for inflation each year. The IRS has released a new inclusion amount table for autos first leased during 2019.

Cents-per-mile & fleet average FMV maximums for 2019. IRS has announced that the 2019 inflation-adjusted maximum fair market values (FMVs) for employer-provided vehicles, the personal use of which can be valued for fringe benefit purposes at the mileage allowance rate (58¢ per mile for 2019). For 2019, the FMV can't exceed \$50,400 (was \$50,000 for 2018). In addition, the 2019 maximum fleet-average vehicle FMV for vehicles, for purposes of the use of the annual lease value fringe benefit valuation method for an employer with a fleet of 20 or more vehicles, also is \$50,400 (was \$50,000 for 2018). The IRS also announced that certain employers may switch to the cents-per-mile valuation method or the fleet-average FMV maximum for the 2018 or 2019 tax year.

If you have any questions regarding these tax changes, please call our office. We are here to assist you.

Very truly yours,

*Thomas, Zurcher & White, P.A.*