

TITLING YOUR VEHICLE

BUSINESS ADVISORY ACTIONABLE PRINCIPLES



727-530-0036
www.busadvisory.com
2641 McCormick Dr.Suite 103
Clearwater, FL 33759



WHY DOES IT MATTER?

There is no right or wrong answer!

- » There are advantages and disadvantages to owning personally or through a business
- » Depends on your circumstances and use of the vehicle



Tax deductions

- » Business use of the vehicle is deductible by the business
- » The business calculates deductions differently depending on who owns the vehicle
 - Able to run the numbers ahead of time and choose the most advantageous
- » Employees cannot deduct business use of a personal vehicle on their personal tax return
 - Must submit expense reimbursement and business takes the deduction

Liability

- » Ownership may determine the level of exposure for business and personal assets in the event of an accident



VEHICLE TITLED TO THE BUSINESS



Tax considerations

- » Can be taken as a business write off
 - Must be more than 50% business use
 - *100% business use can be a red flag unless another vehicle is available*
 - Depreciation – possible larger benefit in year of purchase
 - Costs to operate – Fuel, insurance, oil changes and other maintenance
- » Personal use must be reimbursed
 - May be more costly
 - Recommend a direct reimbursement by employee rather than via payroll

Legal considerations

- » If sued, and the business vehicle is at fault the business is liable
- » Creates separation of business and personal assets

Other considerations

- » Cost of insurance or financing may be higher
- » Vehicle trade-in is a taxable event



VEHICLE TITLED PERSONALLY

Tax considerations

- » Business use must be documented
 - Keep a detailed mileage log
 - Business must have an accountable plan
 - Expense report must be submitted for reimbursement
- » Can deduct actual expenses or use standard mileage rate

Legal considerations

- » Lack of separation between business and personal assets

Other considerations

- » Ensure you have adequate insurance coverage while using for business
 - Personal limits may not be high enough
 - Personal umbrella policy will not likely cover
- » Buying process is simpler



FAQS

» **Is it better to title the vehicle personally or in the business name?**

» The answer depends on your circumstances. Your tax advisor can run the numbers and determine the best taxable option, but that must be balanced by any legal and liability considerations.

» **If I wrap my personal vehicle with advertising, can I deduct the costs of operating the vehicle?**

» Wrapping a car does not make the expenses of operating a car eligible for a tax deduction. The amount of business use must be used to determine the amount of business expenses for operating a vehicle. The cost of wrapping the car may be deductible as an advertising expense.

» **Does my personal car insurance cover me for business use?**

» Your personal insurance policy covers your regular commuting needs. It does not likely cover any business use of your personal vehicle. Describe your business use of the personal vehicle so they can make a determination of the proper coverage to carry for your business use.

