

Business owner's guide

Buying a vehicle for your business



Together we'll go far





Setting your business finances up for success

Maintaining healthy financial boundaries starts by keeping your business expenses and purchases separate from your personal finances — with a business checking account, business debit or credit card, and business loan or line of credit. And if you need a vehicle for your business, it's important to separate your business and personal use, so you can take advantage of key tax benefits and cost savings.

In this guide, we'll discuss the advantages of buying or leasing a vehicle for your business. And we'll take you through the process of finding the right vehicle and financing. It's all part of our commitment at Wells Fargo to help small business owners like you reach their goals — every mile of the way.

Table of contents

Know the tax advantages	page 3
Find the right dealer and vehicle	page 5
Buy or lease?	page 5
Choose the right financing	page 7
Complete your checklist.	page 9

Know the tax advantages

When you use a vehicle for your business, the Internal Revenue Service (IRS) allows you to deduct a wide range of vehicle-related expenses on your taxes. According to the IRS, your vehicle is deductible to the extent you use it for your business. So, if you drive your car exclusively for business, 100% of your vehicle-related expenses are deductible. If you use it for both business and personal use, you can deduct only the percentage you use for business.

There are two methods approved by the IRS for taking small business vehicle deductions: actual expenses and standard mileage rate. However, if you lease, you can only use the standard mileage rate deduction. Here's how they each work:

Actual Expenses Method

Keep track of all your vehicle-related expenses, including:

- Gas, oil, maintenance, and repairs
- Insurance, license and registration fees
- Wash, wax, supplies, and equipment
- Depreciation expense
- Loan interest or lease payments
- State and local taxes

Then, add up all your deductions and multiply the total by your business use percentage. If your allowed expenses added up to \$10,000, and you used your vehicle 100% for business, your total deduction would be \$10,000.

You can also deduct depreciation

Depreciation is capped by the IRS:

- The maximum depreciation deduction for a new car purchased in 2013 used exclusively for business is \$11,160 in year one, \$5,100 in year two, \$3,050 in year three, and \$1,875 in subsequent years.
- If you have a new light truck, van, or SUV, the maximum depreciation deduction is \$11,360 in year one, \$5,400 in year two, \$3,250 in year three, and \$1,975 in subsequent years.



Standard Mileage Rate Method

Add up the number of business miles you drive and multiply the total by the standard mileage rate the IRS publishes each year at [irs.gov](https://www.irs.gov). For 2013, the business mileage deduction rate is 55.5 cents per mile. So, if you drove your vehicle 10,000 miles for business, your deduction would be \$5,500 — in addition to any business-related tolls and parking fees you paid.

The IRS accepts three different types of logs to calculate your deduction¹:

- **Daily Log** - record your business miles for all 365 days of the year.
- **90-Day Log** - record a 90-day period and multiply the 3-month total by four.
- **One-week Log** - record your business miles for the first week of each month and multiply the total by four to get each month's total miles.

Depreciation is included in the standard mileage rate deduction

There's no separate deduction for depreciation with the standard mileage rate deduction. The business mileage deduction rate of 55.5 cents per mile includes 23 cents for depreciation of the vehicle. So, if you drove your vehicle 10,000 miles for business, your total deduction would be \$5,500, of which \$2,300 would be for depreciation.



How much could you save on taxes?

If you use vehicles in your business, how and when you deduct for their business use can have important tax implications. Visit the IRS website at [irs.gov](https://www.irs.gov), and consult your tax advisor on the best way to handle your business vehicle deductions.

Find the right dealer and vehicle



You can often negotiate a lower sale price on a commercial vehicle. Research local and online dealerships to find the ones that specialize in helping businesses buy a vehicle under a business name, then shop around.



If you're searching for a standard car for your business, you shouldn't have any problem finding a vehicle. However, if you need a special type of vehicle like a delivery truck or customized panel van, you'll need to seek out dealers that offer these types of specialized vehicles.



With the rising cost of gas in recent years, it also pays to do your homework on which vehicles are the most fuel-efficient. You want your new vehicle to have all the features you need without high fuel costs that will cut into your profit.

Buy or lease?

If you're thinking about a leasing a vehicle for your business, here are a few things to consider:

- **Down payment** – Low on cash? Some leases don't require a down payment, but some car loans do.
- **Mileage** – How much will your business vehicle be driven? Leases have mileage limits and you'll have to pay more if you want additional miles.
- **Ownership** – When you've paid off a vehicle loan, the car is yours to keep, sell, or trade in. At the end of a lease, you return the vehicle and get another one.
- **Taxes** – Some lease payments are tax-deductible, based on the percentage the vehicle is used for business. But, only the interest on car loan payments is deductible as a business expense.

Speak with your tax professional about which option makes the most sense for you and your business.



Choose the right financing

Just like buying a personal vehicle, there are a variety of financing options for purchasing a business vehicle. It's important to understand the pros and cons of each before you buy.

Financing options	Pros	Cons
Dealer financing	<ul style="list-style-type: none">• Convenience• Interest rate manufacturer promotions	<ul style="list-style-type: none">• Ask if you can get small business financing, not available at some dealers• May try to raise the car's price, ignore trade-in credits or add extras like credit insurance or extended warranties
Bank loan	<ul style="list-style-type: none">• Lower relationship pricing for bank customers• Ongoing customer service• Financing for used vehicles from private party	<ul style="list-style-type: none">• May not qualify for dealer promotions• The vehicle type may not qualify as collateral to secure the loan

Get approved by your bank or credit union

Car shopping with financing approval can give you more negotiating clout.

Do your homework before you start vehicle shopping:

- Review your business and personal credit reports. The better your credit history, the better the rate for which you can qualify.
- Know the going market interest rate for the vehicle and financing you want.
- Shop around and compare all your options.
- Read the fine print and understand the terms of the loan before you sign anything. For example, your initial interest rate may last the length of the loan, but it could jump to a higher rate if you're late on a payment.

Financing a vehicle with a Wells Fargo *Equipment Express*[®] Loan

There are financing options designed especially for small businesses — like a Wells Fargo *Equipment Express* loan. This fixed-rate loan can help you finance vehicles for your business, including:

- Delivery vans
- Tractors/Trailers
- Semi-trucks
- Other commercial vehicles over 2 tons
- Motor coaches
- Limos
- Taxi cabs

Get up to \$100,000 for vehicle purchases

An *Equipment Express* loan features competitive rates with low, predictable monthly payments designed to pay off the loan by the end of the term.

And there's no pre-payment penalty. With an *Equipment Express* loan, you can:

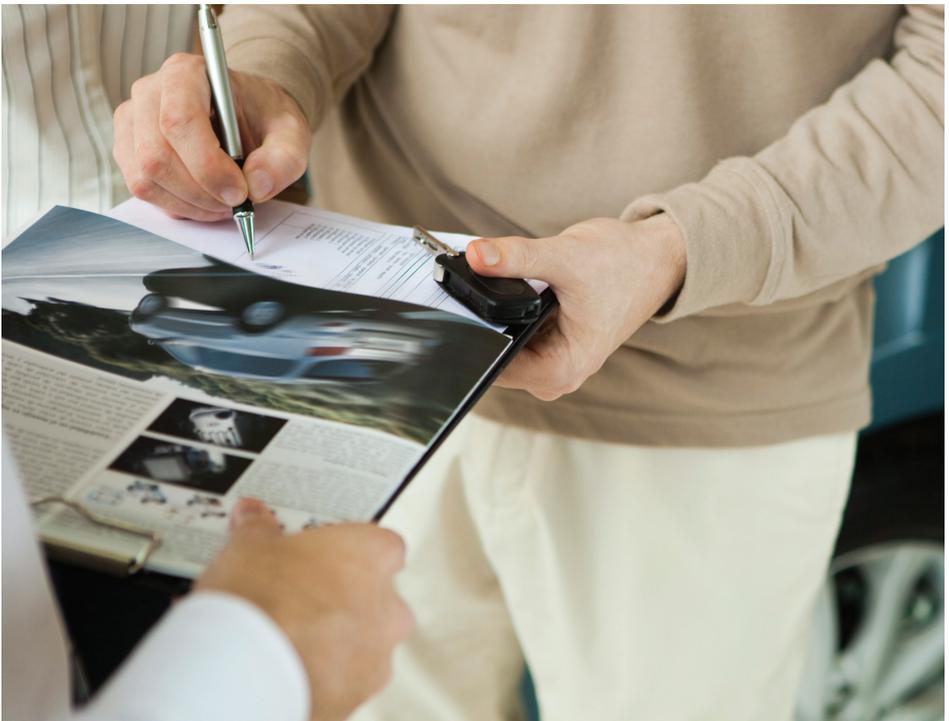
- Shop knowing your financing is in place
- Make multiple vehicle or equipment purchases
- Choose a term of two to six years, depending on the collateral
- Take advantage of potential tax deductions — consult your tax advisor



Put your business on the road to success with an *Equipment Express* loan.

Vehicle buying checklist

- Review your business and personal credit reports.** The better your credit history, the better the rate for which you can qualify.
- Get approved.** Vehicle shopping with financing approval will give you more negotiating clout.
- Find the right vehicle and dealer.** You can often negotiate a lower sale price on vehicles.
- Choose the right financing.** Know the going market interest rate for the vehicle and financing you want. Shop around and compare all your options. Understand the terms of the loan.
- Speak with your Wells Fargo banker.** Our experienced business bankers can help you choose the best financing to meet the needs of your small business.



Wells Fargo *Equipment Express*
Loans can help you finance:

- Passenger vehicles
- Commercial vehicles
- Trucks, trailers and more

**Apply now — contact your
local Wells Fargo banker**

Call 1-800-416-0056 or visit
[wellsfargo.com/biz/loans_lines](https://www.wellsfargo.com/biz/loans_lines)
for more details

Wells Fargo can also help you
insure your business vehicle²

- Business Auto Insurance
- Business Owners Policy
- Workers' Compensation Insurance

Learn more at [wellsfargo.com/insurance](https://www.wellsfargo.com/insurance)

Count on the #1 Lender to Small Businesses in the U.S.³

Wells Fargo offers business financing options that work together or separately to meet your business needs.

We can help you:

- Grow your new business
- Fund ongoing operations
- Plan for future opportunities
- Make capital or large purchases
- Leverage your business real estate
- Manage your business credit

Talk to your Wells Fargo banker
or learn more at wellsfargo.com/biz

¹The IRS accepts the Daily Log for all business owners and sampling methods (such as the 90-day or one-week logs noted here) may be accepted where appropriate for the taxpayer's business. Please always consult your tax advisor for tax purposes.

²Products and services are offered through Wells Fargo Insurance Services USA, Inc., and Wells Fargo Insurance Services of West Virginia, Inc., non-bank insurance agency affiliates of Wells Fargo & Company.

Products and services are underwritten by unaffiliated insurance companies, except crop and flood insurance, which may be underwritten by an affiliate, Rural Community Insurance Company. Some services require additional fees and may be offered directly through third-party providers. Banking and insurance decisions are made independently and do not influence each other.

³Wells Fargo has loaned more money to America's small businesses than any other bank for 10 consecutive years (2002-2011 Community Reinvestment Act government data).

All credit decisions subject to credit approval.

Deposit products offered by Wells Fargo Bank, N.A. Member FDIC.

© 2013 Wells Fargo Bank, N.A. All rights reserved.

BBG8859 (07/13)