WELLS FARGO

Business owner's guide

Buying a vehicle for your business



Wells FargoWorks *for Small 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. If you need a vehicle for your business, it's important to separate your business and personal use, so you may take advantage of potential key tax benefits and cost savings.

In this guide, we'll discuss the advantages of buying or leasing a vehicle for your business. 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 financial goals — every mile of the way.

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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 expenses related to vehicle may be 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 generally deductible. If you use it for both business and personal use, you may deduct no more than 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.

Here's how they 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
- Additional deductions may apply, refer to your tax advisor

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 may be able to deduct depreciation

Depreciation is capped by the IRS:

- The maximum depreciation deduction for a new car purchased in 2017 used exclusively for business is $ 3,160 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 $3,560 in year one, $5,700 in year two, $3,450 in year three, and $2,075 in subsequent years.

Mileage Tracking and Reimbursement

Company Name

Name	Rate ($/mile)	
Start Date	Miles	
End Date	Total Reimb.	

Actual Expenses Deduction Use Only	
Start Odometer	
End Odometer	
Total Miles	
% Business	

Date	Business Purpose	Start Odometer	End Odometer	Miles	Notes
1/5/14	Sales call to ABC Widgets	1002	1056	54	From Office to ABC Widgets and back. Called on Mike Moss, VP.



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. For 2017, the business mileage deduction rate is 53.5 cents per mile. So, if you drove your vehicle 10,000 miles for business, your deduction would be $5,350 — in addition to any business-related tolls and parking fees you paid.

The IRS accepts three different types of logs to calculate your deduction[1]:

- **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 53.5 cents per mile includes 25 cents for depreciation of the vehicle. So, if you drove your vehicle 10,000 miles for business, your total deduction would be $5,350, of which $2,500 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 may have important tax implications. Visit the IRS website at irs.gov, and consult your tax advisor on the ways to handle your business vehicle deductions.

Find the right dealer and vehicle



You may be able to 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.



If you're looking for professional assistance buying a vehicle, consider:

- **Car concierges** negotiate the top price, review the contract, and arrange to have the vehicle delivered for an up-front fee.
- **Car-buying clubs** like the ones offered by Costco and AAA are free to members and promise improved pricing.
- **Car brokers** find the vehicle, negotiate a price, and have the car delivered for a fee.

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.

Buying a used vehicle from a private party

When you buy a used vehicle from a dealer, you're making a purchase from a business that is obligated to comply with state and federal buyer protection laws. But, when you buy a car from a private party, there's no warranty and little legal recourse if there are problems with the vehicle.



Protect yourself

Before you make the purchase:

- Get a Vehicle Identification Number (VIN) history report.
- Have the vehicle thoroughly inspected by an Automotive Service Excellence (ASE) certified mechanic.
- Know the risks of buying from a private party when the title is not free and clear.
- Purchase a vehicle history report from a service like CARFAX.
- Meet in neutral, public location to inspect and test drive the vehicle — avoid meetings at a private residence or at night. Never buy a vehicle sight unseen — no matter how great it sounds or looks online.

Understand the paperwork

Unlike buying from a dealer, all the paperwork required for the transfer of ownership is your responsibility. So it's up to you and the seller to be sure everything is handled correctly — from sales tax to registering the vehicle. If you need guidance on how to handle the paperwork, consult your local Department of Motor Vehicles for the forms and information you'll need ahead of time.

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	• Convenience • Interest rate manufacturer promotions	• Ask if you are able to 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	• Lower relationship pricing for bank customers • Ongoing customer service • Financing for used vehicles from private party	• 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 may 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 you may be able to qualify for.
- Go online and compare the interest rates for the vehicle and financing you want.
- Read the fine print and understand the terms of the loan before you sign anything.



Do your homework

It also pays to do your homework on which vehicles are the most fuel-efficient. With all the new hybrid and electric vehicles available today, there are more options than ever that helps you reduce fuel costs and operate more efficiently.

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 may help you finance vehicles for your business, including:

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

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. Once approved for an *Equipment Express* Loan, you are able to:

- 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

Refinance your vehicles

You may be able to lower your monthly payment by using an *Equipment Express* Loan to refinance an existing vehicle loan — as long as the vehicle is less than 10 years old.

Speak with a Wells Fargo banker to see if refinancing your vehicle makes sense for your business.



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 may be able to qualify for.
- ☐ **Get approved.** Vehicle shopping with financing approval may give you more negotiating clout.
- ☐ **Find the right vehicle and dealer.** You may be able to negotiate a lower sale price on vehicles or added benefits and services.
- ☐ **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 loan terms.
- ☐ **Speak with your Wells Fargo banker.** Our experienced business bankers help you choose the appropriate financing to meet the needs of your small business.



Wells Fargo *Equipment Express* Loans may 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* for more details

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[1] The 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.

All credit decisions subject to credit approval.

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

The Business Credit agreements, disclosures, account support, and services are only available in English. Please obtain your own translator if you are not comfortable with information being provided in English.

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