MAKE YOUR 2026 FLEET INVESTMENT COUNT

BONUS DEPRECIATION & SECTION 179 FAQ

A practical guide for fleet operators evaluating a year-end vehicle purchase. Learn the questions to discuss with your qualified tax professional and why vehicle availability, preparation, delivery and placed-in-service timing still matter.

THE BASICS

What is bonus depreciation?

Bonus depreciation is an additional first-year depreciation deduction available for certain qualified property. Current federal law generally provides a permanent 100% deduction for qualified property acquired after January 19, 2025. Eligibility depends on the property, acquisition, use, and other tax requirements.

What changed under the 2025 federal tax law?

The law restored and made permanent the 100% additional first-year depreciation deduction for certain qualified property acquired after January 19, 2025. It also increased the Section 179 limits and provided for inflation adjustments beginning in 2026.

What is Section 179?

Section 179 allows a business to elect to expense the cost of certain qualifying property rather than recover the cost through regular depreciation over time. For tax years beginning in 2026, the maximum deduction is $2,560,000. The limit is reduced to dollars-for-dollars when the cost of Section 179 property placed in service during the year exceeds $4,090,000. The deduction is also subject to a business-income limitation.

Can bonus depreciation and Section 179 be used together?

Potentially. A taxpayer may use Section 179 and bonus depreciation for qualifying property, subject to ordering rules, limitations and elections. A qualified tax professional should determine the appropriate treatment.

ELIGIBILITY & VEHICLE QUESTIONS

What types of vehicles qualify?

Certain new or used vehicles acquired for business use may qualify, but eligibility is not automatic. Vehicle type, business-use percentage, ownership, acquisition date, recovery period and transaction structure can affect treatment.

Do new and pre-owned vehicles receive the same treatment?

Both new and certain used properties may qualify for bonus depreciation when the applicable requirements are met. Related party acquisitions and other restrictions may apply.

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What does “placed in service” mean exactly?

Property is generally placed in service when it is ready and available for its specific intended business use. Signing a purchase agreement or making a deposit is not, by itself, enough.

Does the vehicle need to be placed in service by December 31, 2026?

For a calendar-year taxpayer seeking a deduction for the 2026 tax year, the vehicle generally must be placed in service by December 31, 2026. Fiscal-year taxpayers and other circumstances may have different timings. Confirm the applicable deadline with a qualified tax professional.

Can a leased vehicle qualify the customer for bonus depreciation or Section 179?

Not automatically. Depreciation deductions generally belong to the party treated as the vehicle’s tax owner. The treatment of a lease depends on its terms and tax classification. Customers should have a qualified tax professional review for the specific transaction.

Do vehicle modifications or upfits qualify?

Some modifications or upfits may be treated as separate depreciable property or included in the vehicle’s tax basis, depending on the facts. Timing and eligibility should be reviewed with a qualified tax professional.

FINANCIAL QUESTIONS

Is the deduction the same as a tax credit?

No. A deduction generally reduces taxable income; it does not reduce tax dollars for dollars. The actual tax effect depends on the taxpayer’s situation, tax rate, limitations, and elections.

How should potential tax savings be estimated?

A qualified tax professional should calculate the potential benefit using the business’s full tax position. A simple vehicle-price-times-tax-rate formula may not account for basis, income limitations, state treatment, business use, elections or other factors.

Are there limits on how many vehicles a business can expense?

There is no simple vehicle-count limit. Section 179 is subject to the annual deduction limit, phaseout threshold, and business-income limitation. Bonus depreciation has different rules and limitations. The result depends on the taxpayer and the property.

Do all states follow federal treatment?

No. State conformity with federal bonus depreciation, and Section 179 rules vary. A qualified tax professional should review both federal and state treatment.

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WORKING WITH ABC COMPANIES

How can ABC help?

We can help you identify available new and pre-owned vehicles, evaluate vehicle fit and configuration, discuss purchase or leasing options, coordinate preparation and delivery and support the fleet after delivery through parts and service. We can also provide transaction and vehicle information for you to share with your qualified advisors. We do not determine tax eligibility or recommend tax treatment.

Plan the Vehicle Steps Early

- Identify the vehicle that fits the operation.
- Confirm current availability and specifications.
- Allow time for financing or leasing review, preparation, inspection and delivery.
- Ask a qualified tax professional how the transaction may apply to the business.
- Confirm when the vehicle will be ready and available for its intended use.

LET'S BUILD YOUR YEAR-END FLEET STRATEGY

Bonus depreciation and Section 179 offer real financial advantages, but only if your vehicles are placed in service before December 31, 2026. Let's talk about your options, your timeline, and how ABC can help you move forward with confidence.



CONTACT YOUR ABC REP

Have questions or ready to get started? Contact your rep directly or call 800-222-2875.



VIEW ELIGIBLE VEHICLES

See in-stock units that qualify for bonus depreciation



BOOK A PLANNING CALL

Request a time with our finance and leasing experts

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