



## Instructions for Form 2106

### Employee Business Expenses

Section references are to the Internal Revenue Code unless otherwise noted.

#### Future Developments

For the latest developments related to Form 2106 and its instructions, such as legislation enacted after they were published, go to [www.irs.gov/form2106](http://www.irs.gov/form2106).

#### What's New

**Standard mileage rate.** The 2014 rate for business use of your vehicle is 56 cents a mile.

#### Depreciation limits on vehicles.

For 2014, the first-year limit on depreciation, special depreciation allowance, and section 179 deduction for most vehicles remains at \$11,160 (\$3,160 if you elect not to claim the special depreciation allowance). For

trucks and vans, the first-year limit is \$11,460 (\$3,460 if you elect not to claim the special depreciation allowance). For more details, see the discussion under *Section D – Depreciation of Vehicles*, later.

### General Instructions

#### Purpose of Form

Use Form 2106 if you were an employee deducting ordinary and necessary expenses for your job. See the flowchart below to find out if you must file this form.

An ordinary expense is one that is common and accepted in your field of trade, business, or profession. A necessary expense is one that is helpful and appropriate for your business. An expense does not have

to be required to be considered necessary.

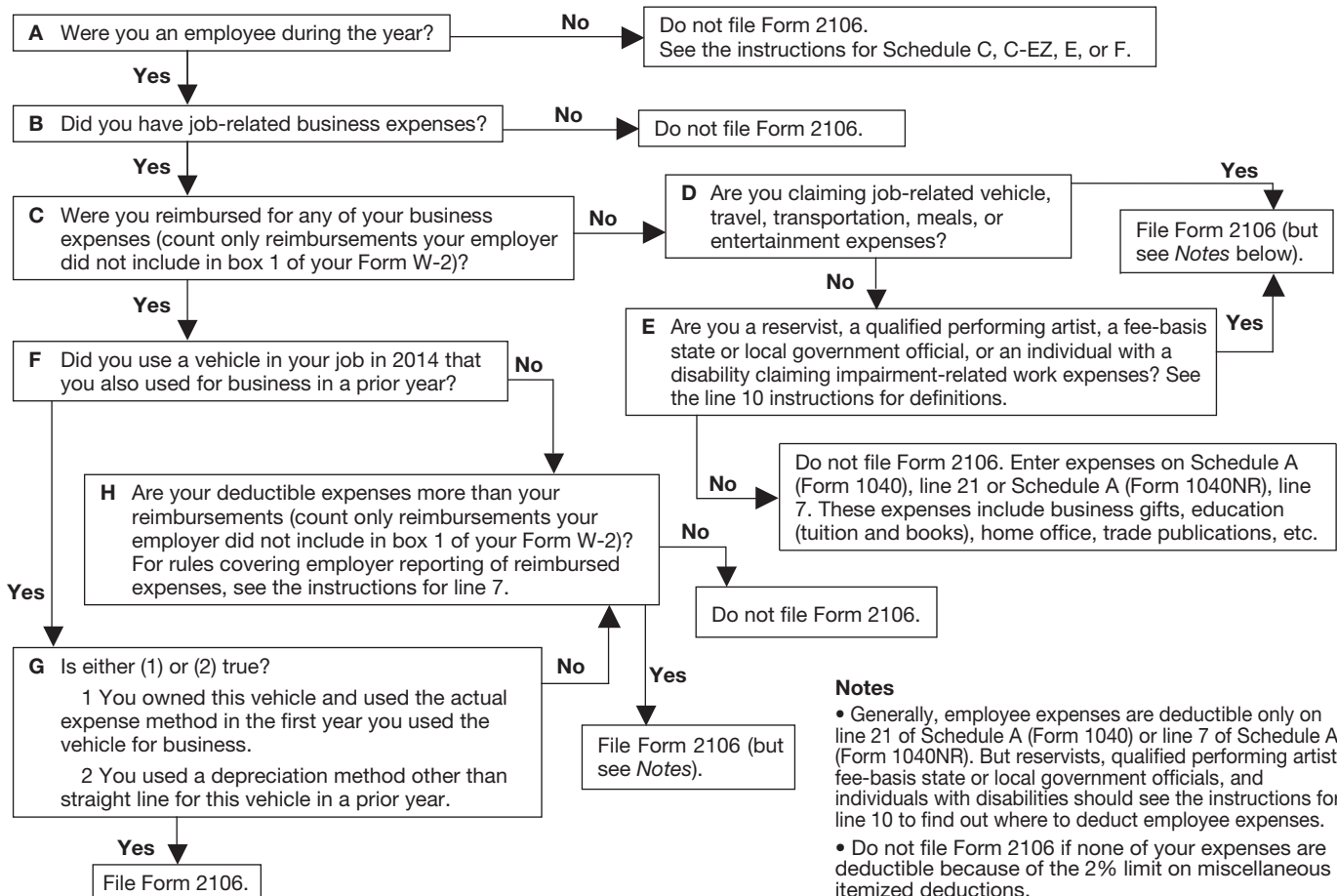
**Form 2106-EZ.** You can file Form 2106-EZ, Unreimbursed Employee Business Expenses, provided you were an employee deducting ordinary and necessary expenses for your job and you:

- Use the standard mileage rate (if claiming vehicle expense), and
- Were not reimbursed by your employer for any expense (amounts your employer included in box 1 of your Form W-2 are not considered reimbursements for this purpose).

#### Recordkeeping

You cannot deduct expenses for travel (including meals unless you used the standard meal allowance), entertainment, gifts, or use of a car or

### Who Must File Form 2106



#### Notes

- Generally, employee expenses are deductible only on line 21 of Schedule A (Form 1040) or line 7 of Schedule A (Form 1040NR). But reservists, qualified performing artists, fee-basis state or local government officials, and individuals with disabilities should see the instructions for line 10 to find out where to deduct employee expenses.
- Do not file Form 2106 if none of your expenses are deductible because of the 2% limit on miscellaneous itemized deductions.

other listed property unless you keep records to prove the time, place, business purpose, business relationship (for entertainment and gifts), and amounts of these expenses. Generally, you must also have receipts for all lodging expenses (regardless of the amount) and any other expense of \$75 or more.

## Additional Information

For more details about employee business expenses, see:

- Pub. 463, Travel, Entertainment, Gift, and Car Expenses.
- Pub. 529, Miscellaneous Deductions.
- Pub. 587, Business Use of Your Home (Including Use by Daycare Providers).
- Pub. 946, How To Depreciate Property.

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## Specific Instructions

### Part I—Employee Business Expenses and Reimbursements

Fill in all of Part I if you were reimbursed for employee business expenses. If you were not reimbursed for your expenses, complete steps 1 and 3 only.

#### Step 1—Enter Your Expenses

**Line 1.** If you were a rural mail carrier, you can treat the amount of qualified reimbursement you received as the amount of your allowable expense. Because the qualified reimbursement is treated as paid under an accountable plan, your employer should not include the amount of reimbursement in your income.

You were a rural mail carrier if you were an employee of the United States Postal Service (USPS) who performed services involving the collection and delivery of mail on a rural route.

#### **Qualified reimbursements.**

These are the amounts paid by the USPS as an equipment maintenance allowance under a collective bargaining agreement between the USPS and the National Rural Letter Carriers' Association, but only if such amounts do not exceed the amount that would have been paid under the 1991 collective bargaining agreement

(adjusted for changes in the Consumer Price Index since 1991).

If you were a rural mail carrier and your vehicle expenses were:

- Less than or equal to your qualified reimbursements, do not file Form 2106 unless you have deductible expenses other than vehicle expenses. If you have deductible expenses other than vehicle expenses, skip line 1 and do not include any qualified reimbursements in column A on line 7.
- More than your qualified reimbursements, first complete Part II of Form 2106. Enter your total vehicle expenses from line 29 on line 1 and the amount of your qualified reimbursements in column A on line 7.



*If you are a rural mail carrier and received a qualified reimbursement, you cannot use the standard mileage rate.*

**Line 2.** The expenses of commuting to and from work are not deductible. See the line 15 instructions for the definition of commuting.

**Line 3.** Enter lodging and transportation expenses connected with overnight travel away from your tax home (defined next). Do not include expenses for meals and entertainment. For more details, including limits, see Pub. 463.

**Tax home.** Generally, your tax home is your regular or main place of business or post of duty regardless of where you maintain your family home. If you do not have a regular or main place of business because of the nature of your work, then your tax home may be the place where you regularly live. If you do not have a regular or a main place of business or post of duty and there is no place where you regularly live, you are considered an itinerant (a transient) and your tax home is wherever you work. As an itinerant, you are never away from home and cannot claim a travel expense deduction. For more details on the definition of a tax home, see Pub. 463.

Generally, you cannot deduct any expenses for travel away from your tax home for any period of temporary employment of more than 1 year. However, this 1-year rule does not apply for a temporary period in which

you were a federal employee certified by the Attorney General (or his or her designee) as traveling in temporary duty status for the U.S. government to investigate or prosecute a federal crime (or to provide support services for the investigation or prosecution of a federal crime).

**Incidental expenses.** The term “incidental expenses” means fees and tips given to porters, baggage carriers, hotel staff, and staff on ships.

Incidental expenses do not include expenses for laundry, cleaning and pressing of clothing, lodging taxes, costs of telegrams or telephone calls, transportation between places of lodging or business and places where meals are taken, or the mailing cost of filing travel vouchers and paying employer-sponsored charge card billings.

You can use an optional method (instead of actual cost) for deducting incidental expenses only. The amount of the deduction is \$5 a day. You can use this method only if you did not pay or incur any meal expenses. You cannot use this method on any day you use the standard meal allowance (defined in the instructions for line 5).

**Line 4.** Enter other job-related expenses not listed on any other line of this form. Include expenses for business gifts, education (tuition, fees, and books), home office, trade publications, etc. For details, including limits, see Pub. 463 and Pub. 529.

If you are deducting home office expenses, see Pub. 587 for special instructions on how to report these expenses.

If you are deducting depreciation or claiming a section 179 deduction, see Form 4562, Depreciation and Amortization, to figure the depreciation and section 179 deduction to enter on Form 2106, line 4.

Do not include on line 4 any (a) educator expenses you deducted on Form 1040, line 23, or Form 1040NR, line 24, or (b) tuition and fees you deducted on Form 1040, line 34.



*You may be able to take a credit for your educational expenses instead of a deduction. See Form 8863, Education Credits, for details.*

Do not include expenses for meals and entertainment, taxes, or interest on line 4. Deductible taxes are entered on Schedule A (Form 1040), lines 5 through 9; or Schedule A (Form 1040NR), line 1. Employees cannot deduct car loan interest.

**Note.** If line 4 is your only entry, do not complete Form 2106 unless you are claiming:

- Performing-arts-related business expenses as a qualified performing artist,
- Expenses for performing your job as a fee-basis state or local government official, or
- Impairment-related work expenses as an individual with a disability.

See the line 10 instructions. If you are not required to file Form 2106, enter your expenses directly on Schedule A (Form 1040), line 21 (or Schedule A (Form 1040NR), line 7).

**Line 5.** Enter your allowable meals and entertainment expense. Include meals while away from your tax home overnight and other business meals and entertainment.

**Standard meal allowance.**

Instead of actual cost, you may be able to claim the standard meal allowance for your daily meals and incidental expenses (M&IE) while away from your tax home overnight. Under this method, instead of keeping records of your actual meal expenses, you deduct a specified amount, depending on where you travel. However, you must still keep records to prove the time, place, and business purpose of your travel.

The standard meal allowance is the federal M&IE rate. For most small localities in the United States, this rate is \$46 a day. Most major cities and many other localities in the United States qualify for higher rates. You can find the rates that applied during 2014 on the Internet at [www.gsa.gov/perdiem](http://www.gsa.gov/perdiem). At the Per Diem Overview page select "2014" for the rates in effect for the period January 1, 2014–September 30, 2014. Select "Fiscal Year 2015" for the period October 1, 2014–December 31, 2014. However, you can apply the rates in effect before October 1, 2014, for expenses of all travel within the United States for 2014 instead of the updated rates. For the period October 1, 2014–December 31, 2014, you must

consistently use either the rates for the first 9 months of 2014 or the updated rates.

For locations outside the continental United States, the applicable rates are published each month. You can find these rates on the Internet at [www.state.gov/travel](http://www.state.gov/travel) and select the option for "Foreign Per Diem Rates."

See Pub. 463 for details on how to figure your deduction using the standard meal allowance, including special rules for partial days of travel and transportation workers.

**Step 2—Enter Reimbursements Received From Your Employer for Expenses Listed in Step 1**

**Line 7.** Enter reimbursements received from your employer (or third party) for expenses shown in Step 1 that were not reported to you in box 1 of your Form W-2. This includes reimbursements reported under code "L" in box 12 of Form W-2. Amounts reported under code "L" are reimbursements you received for business expenses that were not included as wages on Form W-2 because the expenses met specific IRS substantiation requirements.

Generally, when your employer pays for your expenses, the payments should not be included in box 1 of your Form W-2 if, within a reasonable period of time, you:

- Accounted to your employer for the expenses, and
- Were required to return, and did return, any payment not spent (or considered not spent) for business expenses.

If these payments were incorrectly included in box 1, ask your employer for a corrected Form W-2.

**Accounting to your employer.**

This means that you gave your employer documentary evidence and an account book, diary, log, statement of expenses, trip sheets, or similar statement to verify the amount, time, place, and business purpose of each expense. You are also treated as having accounted for your expenses if either of the following applies.

- Your employer gave you a fixed travel allowance that is similar in form to the per diem allowance specified by the Federal Government and you

verified the time, place, and business purpose of the travel for that day.

- Your employer reimbursed you for vehicle expenses at the standard mileage rate or according to a flat rate or stated schedule, and you verified the date of each trip, mileage, and business purpose of the vehicle use.

See Pub. 463 for more details.

**Allocating your reimbursement.**

If your employer paid you a single amount that covers meals and entertainment as well as other business expenses, you must allocate the reimbursement so that you know how much to enter in Column A and Column B of line 7. Use the following worksheet to figure this allocation.

**Reimbursement Allocation Worksheet**  
(keep for your records)

1.	Enter the total amount of reimbursements your employer gave you that were not reported to you in box 1 of Form W-2 . . . . .	_____
2.	Enter the total amount of your expenses for the periods covered by this reimbursement . . . . .	_____
3.	Enter the part of the amount on line 2 that was your total expense for meals and entertainment . . . . .	_____
4.	Divide line 3 by line 2. Enter the result as a decimal (rounded to three places) . . . . .	_____
5.	Multiply line 1 by line 4. Enter the result here and in Column B, line 7 . . . . .	_____
6.	Subtract line 5 from line 1. Enter the result here and in Column A, line 7 . . . . .	_____

**Step 3—Figure Expenses To Deduct on Schedule A (Form 1040 or Form 1040NR)**

**Line 9.** Generally, you can deduct only 50% of your business meal and entertainment expenses, including meals incurred while away from home on business. However, if you were an employee subject to the DOT hours of service limits, that percentage is increased to 80% for business meals consumed during, or incident to, any

period of duty for which those limits are in effect.

Employees subject to the DOT hours of service limits include certain air transportation employees, such as pilots, crew, dispatchers, mechanics, and control tower operators; interstate truck operators and interstate bus drivers; certain railroad employees, such as engineers, conductors, train crews, dispatchers, and control operations personnel; and certain merchant mariners.

**Line 10.** If you are one of the individuals discussed below, special rules apply to deducting your employee business expenses. Any part of the line 10 total that is not deducted according to the special rules should be entered on Schedule A (Form 1040), line 21 (or Schedule A (Form 1040NR), line 7).

**Ministers.** Before entering your total expenses on line 10, you must reduce them by the amount allocable to your tax-free allowance(s). See Pub. 517 for more information.

**Armed Forces reservist (member of a reserve component).** You are a member of a reserve component of the Armed Forces of the United States if you are in the Army, Navy, Marine Corps, Air Force, or Coast Guard Reserve; the Army National Guard of the United States; the Air National Guard of the United States; or the Reserve Corps of the Public Health Service.

If you qualify, complete Form 2106 and include the part of the line 10 amount attributable to the expenses for travel more than 100 miles away from home in connection with your performance of services as a member of the reserves on Form 1040, line 24, and attach Form 2106 to your return. The amount of expenses you can deduct on Form 1040, line 24, is limited to the regular federal per diem rate (for lodging, meals, and incidental expenses) and the standard mileage rate (for car expenses), plus any parking fees, ferry fees, and tolls. These reserve-related travel expenses are deductible whether or not you itemize deductions. See Pub. 463 for additional details on how to report these expenses.

**Fee-basis state or local government official.** You are a qualifying fee-basis official if you are

employed by a state or political subdivision of a state and are compensated, in whole or in part, on a fee basis.

If you qualify, include the part of the line 10 amount attributable to the expenses you incurred for services performed in that job in the total on Form 1040, line 24, and attach Form 2106 to your return. These employee business expenses are deductible whether or not you itemize deductions.

**Qualified performing artist.** You are a qualified performing artist if you:

1. Performed services in the performing arts as an employee for at least two employers during the tax year,
2. Received from at least two of those employers wages of \$200 or more per employer,
3. Had allowable business expenses attributable to the performing arts of more than 10% of gross income from the performing arts, and
4. Had adjusted gross income of \$16,000 or less before deducting expenses as a performing artist.

In addition, if you are married, you must file a joint return unless you lived apart from your spouse for all of 2014. If you file a joint return, you must figure requirements (1), (2), and (3) separately for both you and your spouse. However, requirement (4) applies to the combined adjusted gross income of both you and your spouse.

If you meet all the requirements for a qualified performing artist, include the part of the line 10 amount attributable to performing-arts-related expenses in the total on Form 1040, line 24 (or Form 1040NR, line 35), and attach Form 2106 to your return. Your performing-arts-related business expenses are deductible whether or not you itemize deductions.

**Disabled employee with impairment-related work expenses.** Impairment-related work expenses are the allowable expenses of an individual with physical or mental disabilities for attendant care at his or her place of employment. They also include other expenses in connection with the place of employment that enable the employee

to work. See Pub. 463 for more details.

If you qualify, enter the part of the line 10 amount attributable to impairment-related work expenses on Schedule A (Form 1040), line 28 (or Schedule A (Form 1040NR), line 14). These expenses are not subject to the 2% limit that applies to most other employee business expenses.

## Part II—Vehicle Expenses

There are two methods for computing vehicle expenses—the standard mileage rate and the actual expense method. You can use the standard mileage rate for 2014 only if:

- You owned the vehicle and used the standard mileage rate for the first year you placed the vehicle in service, or
- You leased the vehicle and are using the standard mileage rate for the entire lease period (except the period, if any, before 1998).

You cannot use actual expenses for a leased vehicle if you previously used the standard mileage rate for that vehicle.

If you have the option of using either the standard mileage rate or actual expense method, you should figure your expenses both ways to find the method most beneficial to you. But when completing Form 2106, fill in only the sections that apply to the method you choose.

If you were a rural mail carrier and received an equipment maintenance allowance, see the line 1 instructions.

For more information on the standard mileage rate and actual expenses, see Pub. 463.

## Section A—General Information

If you used two vehicles for business during the year, use a separate column in Sections A, C, and D for each vehicle. If you used more than two vehicles, complete and attach a second Form 2106, page 2.

**Line 11.** Date placed in service is generally the date you first start using your vehicle. However, if you first start using your vehicle for personal use and later convert it to business use, the vehicle is treated as placed in service on the date you started using it for business.

**Line 12.** Enter the total number of miles you drove each vehicle during 2014.

**Change from personal to business use.** If you converted your vehicle during the year from personal to business use (or vice versa) and you do not have mileage records for the time before the change to business use, enter the total number of miles driven after the change to business use.

**Line 13.** Do not include commuting miles on this line; commuting miles are not considered business miles. See the line 15 instructions below for the definition of commuting.

**Line 14.** Divide line 13 by line 12 to figure your business use percentage.

**Change from personal to business use.** If you entered on line 12 the total number of miles driven after the change to business use, multiply the percentage you figured by the number of months you drove the vehicle for business and divide the result by 12.

**Line 15.** Enter your average daily round trip commuting distance. If you went to more than one work location, figure the average.

**Commuting.** Generally, commuting is travel between your home and a work location. However, travel that meets any of the following conditions is not commuting.

- You have at least one regular work location away from your home and the travel is to a temporary work location in the same trade or business, regardless of the distance. Generally, a temporary work location is one where your employment is expected to last 1 year or less. See Pub. 463 for more details.
- The travel is to a temporary work location outside the metropolitan area where you live and normally work.
- Your home is your principal place of business under section 280A(c)(1)(A) (for purposes of deducting expenses for business use of your home) and the travel is to another work location in the same trade or business, regardless of whether that location is regular or temporary and regardless of distance.

**Line 16.** If you do not know the total actual miles you used your vehicle for

commuting during the year, figure the amount to enter on line 16 by multiplying the number of days during the year that you used each vehicle for commuting by the average daily round trip commuting distance in miles. However, if you converted your vehicle during the year from personal to business use (or vice versa), enter your commuting miles only for the period you drove your vehicle for business.

**Section B—Standard Mileage Rate**

You may be able to use the standard mileage rate instead of actual expenses to figure the deductible costs of operating a passenger vehicle, including a van, sport utility vehicle (SUV), pickup, or panel truck.

If you want to use the standard mileage rate for a vehicle you own, you must do so in the first year you place your vehicle in service. In later years, you can deduct actual expenses instead, but you must use straight line depreciation.

If you lease your vehicle, you can use the standard mileage rate, but only if you use the rate for the entire lease period (except for the period, if any, before January 1, 1998).

If you use more than two vehicles, complete and attach a second Form 2106, page 2, providing the information requested in lines 11 through 22. Be sure to include the amount from line 22 of both pages in the total on Form 2106, line 1.

You can also deduct state and local personal property taxes. Enter these taxes on Schedule A (Form 1040), line 7. (Personal property taxes are not deductible on Form 1040NR.)

If you are claiming the standard mileage rate for mileage driven in more than one business activity, you must figure the deduction for each business on a separate form or schedule (for example, Form 2106 or Schedule C, C-EZ, E, or F).

**Section C—Actual Expenses**

**Line 23.** Enter your total annual expenses for gasoline, oil, repairs, insurance, tires, license plates, and similar items. Do not include state and local personal property taxes or interest expense you paid. Deduct state and local personal property

taxes on Schedule A (Form 1040), line 7. Employees cannot deduct car loan interest.

**Line 24a.** If during 2014 you rented or leased instead of using your own vehicle, enter the cost of renting. Also, include on this line any temporary rentals, such as when your car was being repaired, except for amounts included on line 3.

**Line 24b.** If you leased a vehicle for a term of 30 days or more, you may have to reduce your deduction for vehicle lease payments by an amount called the inclusion amount. You may have an inclusion amount for a passenger automobile if:

**Passenger Automobiles (Except Trucks and Vans)**

The lease term began in:	And the vehicle's fair market value on the first day of the lease exceeded:
2014 . . . . .	\$ 18,500
2013 . . . . .	19,000
2010, 2011, or 2012 . . . . .	18,500

If the lease term began before 2010, see Pub. 463 to find out if you have an inclusion amount.

You may have an inclusion amount for a truck or van if:

**Trucks and Vans**

The lease term began in:	And the vehicle's fair market value on the first day of the lease exceeded:
2010, 2011, 2012, 2013, or 2014 . . . . .	\$ 19,000

See Pub. 463 to figure the inclusion amount.

**Line 25.** If during 2014 your employer provided a vehicle for your business use and included 100% of its annual lease value in box 1 of your Form W-2, enter this amount on line 25. If less than 100% of the annual lease value was included in box 1 of your Form W-2, skip line 25.

**Line 28.** If you completed Section D, enter the amount from line 38. If you used Form 4562 to figure your depreciation deduction, enter the total of the following amounts.

- Depreciation allocable to your vehicle(s) (from Form 4562, line 28).
- Any section 179 deduction allocable to your vehicle(s) (from Form 4562, line 29).

## Section D—Depreciation of Vehicles

Depreciation is an amount you can deduct to recover the cost or other basis of your vehicle over a certain number of years. In some cases, you can elect to claim a special depreciation allowance or to expense, under section 179, part of the cost of your vehicle in the year of purchase. For details, see Pub. 463.

**Vehicle trade-in.** If you traded in one vehicle (the “old vehicle”) for another vehicle (the “new vehicle”) in 2014, there are two ways you can treat the transaction.

1. You can elect to treat the transaction as a tax-free disposition of the old vehicle and the purchase of the new vehicle. If you make this election, you treat the old vehicle as disposed of at the time of the trade-in. The depreciable basis of the new vehicle is the adjusted basis of the old vehicle (figured as if 100% of the vehicle's use had been for business purposes) plus any additional amount you paid for the new vehicle. You then figure your depreciation deduction for the new vehicle beginning with the date you placed it in service. You make this election by completing Form 2106, Part II, Section D.

2. If you do not make the election described in (1), you must figure depreciation separately for the remaining basis of the old vehicle and for any additional amount you paid for the new vehicle. You must apply two depreciation limits. The limit that applies to the remaining basis of the old vehicle generally is the amount that would have been allowed had you not traded the old vehicle. The limit that applies to the additional amount you paid for the new vehicle generally is the limit that applies for the tax year it was placed in service, reduced by the depreciation allowance for the remaining basis of the old vehicle. You must use Form 4562 to compute your depreciation deduction. You cannot use Form 2106, Part II, Section D.

If you elect to use the method described in (1), you must do so on a timely filed tax return (including extensions). Otherwise, you must use the method described in (2).

**Line 30.** Enter the vehicle's actual cost or other basis. Do not reduce

your basis by any prior year's depreciation. However, you must reduce your basis by any deductible casualty loss, deduction for clean-fuel vehicle, gas guzzler tax, alternative motor vehicle credit, or qualified plug-in electric vehicle credit you claimed. Increase your basis by any sales tax paid (unless you deducted sales taxes in the year you purchased your vehicle) and any substantial improvements to your vehicle.

If you traded in your vehicle, your basis is the adjusted basis of the old vehicle (reduced by depreciation figured as if 100% of the vehicle's use had been for business purposes) plus any additional amount you pay for the new vehicle. See Pub. 463 for more information.

If you converted the vehicle from personal use to business use, your basis for depreciation is the smaller of the vehicle's adjusted basis or its fair market value on the date of conversion.

**Line 31.** Enter the amount of any section 179 deduction and, if applicable, any special depreciation allowance claimed for this year.

**Section 179 deduction.** If 2014 is the first year your vehicle was placed in service and the percentage on line 14 is more than 50%, you can elect to deduct as an expense a portion of the cost (subject to a yearly limit). To calculate this section 179 deduction, multiply the part of the cost of the vehicle that you choose to expense by the percentage on line 14. The total of your depreciation and section 179 deduction generally cannot be more than the percentage on line 14 multiplied by the applicable limit explained in the line 36 instructions. Your section 179 deduction for the year cannot be more than the income from your job and any other active trade or business on your Form 1040.



*If you are claiming a section 179 deduction on other property, or you placed more than \$2,000,000 of section 179 property in service during the year, use Form 4562 to figure your section 179 deduction. Enter the amount of the section 179 deduction allocable to your vehicle (from Form 4562, line 12) on Form 2106, line 31.*

**Note.** For section 179 purposes, the cost of the new vehicle does not include the adjusted basis of the vehicle you traded in.

### Example.

Cost including taxes . . . . .	\$25,000
Adjusted basis of trade-in . . . . .	<u>- 3,000</u>
Section 179 basis . . . . .	\$22,000
Limit on depreciation and section 179 deduction . . . . .	\$11,160*
<i>Smaller of:</i>	
Section 179 basis, or limit on depreciation . . . . .	\$11,160
Percentage on line 14 . . . . .	<u>x .75</u>
Section 179 deduction . . . . .	\$8,370

\* \$3,160 if electing out of special depreciation allowance or not qualified property.

### Limit for sport utility and certain other vehicles.

For sport utility and certain other vehicles placed in service in 2014, the portion of the vehicle's cost taken into account in figuring your section 179 deduction is limited to \$25,000. This rule applies to any 4-wheeled vehicle primarily designed or used to carry passengers over public streets, roads, or highways that is not subject to any of the passenger automobile limits explained in the line 36 instructions and is rated at no more than 14,000 pounds gross vehicle weight. However, the \$25,000 limit does not apply to any vehicle:

- Designed to have a seating capacity of more than nine persons behind the driver's seat,
- Equipped with a cargo area of at least 6 feet in interior length that is an open area or is designed for use as an open area but is enclosed by a cap and is not readily accessible directly from the passenger compartment, or
- That has an integral enclosure, fully enclosing the driver compartment and load carrying device, does not have seating rearward of the driver's seat, and has no body section protruding more than 30 inches ahead of the leading edge of the windshield.

### Special depreciation allowance.

The special depreciation allowance applies only for the first year a new vehicle is placed in service. To qualify

for the special depreciation allowance, the new vehicle must be qualified property (see Pub. 463, chapter 4, for more information). The special allowance is an additional first year depreciation deduction of 50%. Your total section 179 deduction, special depreciation allowance, and regular depreciation deduction cannot be more than \$11,160 for cars and \$11,460 for trucks and vans, multiplied by your business use percentage on line 14. See the line 36 instructions for depreciation limits. You cannot recover the amount by which your depreciation deduction exceeds the depreciation limits for the year placed in service until after the end of the recovery period for your vehicle.

Use the following worksheet to figure the amount of the special depreciation allowance.

**Worksheet for the Special Depreciation Allowance**  
(keep for your records)

1. Enter the total amount from Form 2106, line 30 . . . . .	_____
2. Multiply line 1 by the percentage on Form 2106, line 14, and enter the result . . . . .	_____
3. Enter any section 179 deduction . . . . .	_____
4. Subtract line 3 from line 2 . . . . .	_____
5. Multiply the applicable limit explained in the line 36 instructions by the percentage on Form 2106, line 14, and enter the result . . . . .	_____
6. Subtract line 3 from line 5 . . . . .	_____
7. Enter the <b>smaller</b> of line 4 or line 6. Add the result to any section 179 deduction (line 3 above) and enter the total on Form 2106, line 31 . . . . .	_____

**Election out.** You can elect not to claim the special depreciation allowance for your vehicle. If you make this election, it applies to all property in the same class placed in service during the year.

To make the election, attach a statement to your timely filed return

(including extensions) indicating that you are electing not to claim the special depreciation allowance and the class of property for which you are making the election.

**More information.** See Pub. 463, chapter 4, for more information on the special depreciation allowance.

**Line 32.** To figure the basis for depreciation, multiply line 30 by the percentage on line 14. From that result, subtract the total amount of any section 179 deduction and special depreciation allowance claimed this year (see line 31) or any section 179 deduction and special depreciation allowance claimed in any previous year for this vehicle.

**Line 33.** If you used the standard mileage rate in the first year the vehicle was placed in service and now elect to use the actual expense method, you must use the straight line method of depreciation for the vehicle's estimated useful life. Otherwise, use the following Depreciation Method and Percentage Chart to find the depreciation method and percentage to enter on line 33.

To use the chart, first find the date you placed the vehicle in service (line 11). Then, select the depreciation method and percentage from column (a), (b), or (c). For example, if you placed a car in service on July 1, 2014, and you use the method in column (a), enter "200 DB 20%" on line 33.

For vehicles placed in service before 2014, use the same method you used on last year's return unless a decline in your business use requires a change to the straight line method. For vehicles placed in service during 2014, select the depreciation method and percentage after reading the explanation for each column.

**Column (a)—200% declining balance method.** You can use column (a) only if the business use percentage on line 14 is more than 50%. Of the three depreciation methods, the 200% declining balance method may give you the largest depreciation deduction for the first 3 years (after considering the depreciation limit for your vehicle). See the depreciation limit tables, later.


**Column (b)—150% declining balance method.** You can use

column (b) only if the business use percentage on line 14 is more than 50%. The 150% declining balance method may give you a smaller depreciation deduction than in column (a) for the first 3 years. However, you will not have a "depreciation adjustment" on this vehicle for the alternative minimum tax. This may result in a smaller tax liability if you must file Form 6251, Alternative Minimum Tax—Individuals.

**Column (c)—straight line method.** You must use column (c) if the business use percentage on line 14 is 50% or less. The method for these vehicles is the straight line method over 5 years. The use of this column is optional for these vehicles if the business use percentage on line 14 is more than 50%.

**Note.** If your vehicle was used more than 50% for business in the year it was placed in service and used 50% or less in a later year, part of the depreciation, section 179 deduction, and special depreciation allowance previously claimed may have to be added back to your income in the later year. Figure the amount to be included in income in Part IV of Form 4797, Sales of Business Property.

**More information.** For more information on depreciating your vehicle, see Pub. 463.

 *If you placed other business property in service in the same year you placed your vehicle in service or you used your vehicle mainly within an Indian reservation, you may not be able to use the chart. See Pub. 946 to figure your depreciation.*

**Line 34.** If you sold or exchanged your vehicle during the year, use the following instructions to figure the amount to enter on line 34.

If your vehicle was placed in service:

1. Before 2009, enter the result of multiplying line 32 by the percentage on line 33;
2. After 2008, from January 1 through September 30, enter the amount figured by multiplying the result in (1) by 50%; or
3. After 2008, from October 1 through December 31, enter the amount figured by multiplying the

**Depreciation Method and Percentage Chart—Line 33**

<b>Date Placed in Service</b>	<b>(a)<sup>1</sup></b>	<b>(b)<sup>1</sup></b>	<b>(c)</b>
Oct. 1 – Dec. 31, 2014	200 DB 5.0%	150 DB 3.75%	SL 2.5%
Jan. 1 – Sept. 30, 2014	200 DB 20.0	150 DB 15.0	SL 10.0
Oct. 1 – Dec. 31, 2013	200 DB 38.0	150 DB 28.88	SL 20.0
Jan. 1 – Sept. 30, 2013	200 DB 32.0	150 DB 25.5	SL 20.0
Oct. 1 – Dec. 31, 2012	200 DB 22.8	150 DB 20.21	SL 20.0
Jan. 1 – Sept. 30, 2012	200 DB 19.2	150 DB 17.85	SL 20.0
Oct. 1 – Dec. 31, 2011	200 DB 13.68	150 DB 16.4	SL 20.0
Jan. 1 – Sept. 30, 2011	200 DB 11.52	150 DB 16.66	SL 20.0
Oct. 1 – Dec. 31, 2010	200 DB 10.94	150 DB 16.41	SL 20.0
Jan. 1 – Sept. 30, 2010	200 DB 11.52	150 DB 16.66	SL 20.0
Oct. 1 – Dec. 31, 2009	200 DB 9.58	150 DB 14.35	SL 17.5
Jan. 1 – Sept. 30, 2009	200 DB 5.76	150 DB 8.33	SL 10.0
Prior to 2009 <sup>2</sup>			

<sup>1</sup>You can use this column only if the business use of your car is more than 50%.

<sup>2</sup>If your car was subject to the maximum limits for depreciation and you have unrecovered basis in the car, you can continue to claim depreciation. See Pub. 463 for more information.

result in (1) by the percentage shown below for the month you disposed of the vehicle.

<b>Month of Disposal</b>	<b>Percentage</b>
Jan., Feb., March . . . . .	12.5%
April, May, June . . . . .	37.5%
July, Aug., Sept. . . . .	62.5%
Oct., Nov., Dec. . . . .	87.5%

you placed your vehicle in service. Then, enter on line 36 the corresponding amount from the “Limit” column. Before using the charts, please read the following definitions.

- A passenger automobile is a 4-wheeled vehicle manufactured primarily for use on public roads that is rated at 6,000 pounds unloaded gross vehicle weight or less. Certain vehicles, such as ambulances, hearses, and taxicabs, are not

considered passenger automobiles and are not subject to the line 36 limits. See Pub. 463 for more details.

- A truck or van is a passenger automobile that is classified by the manufacturer as a truck or van, and that is rated at 6,000 pounds gross vehicle weight or less.

If your vehicle is not subject to any of the line 36 limits, skip lines 36 and 37, and enter the amount from line 35 on line 38.

**Line 36.** Using the applicable chart for your type of vehicle, find the date



**Limits for Passenger Automobiles  
(Except Trucks and Vans)**

<b>Date Vehicle Was Placed in Service</b>	<b>Limit</b>
Jan. 1 – Dec. 31, 2014 . . .	\$11,160*
Jan. 1 – Dec. 31, 2013 . . .	5,100
Jan. 1 – Dec. 31, 2012 . . .	3,050
Jan. 1, 2006 – Dec. 31, 2011	1,775
Jan. 1, 2004 – Dec. 31, 2005	1,675
Jan. 1, 1995 – Dec. 31, 2003	1,775

\* If you elect not to claim the special depreciation allowance for the vehicle or the vehicle is not qualified property, the limit is \$3,160.

**Limits for Trucks and Vans**

<b>Date Vehicle Was Placed in Service</b>	<b>Limit</b>
Jan. 1 – Dec. 31, 2014 . . .	\$11,460*
Jan. 1 – Dec. 31, 2013 . . .	5,400
Jan. 1 – Dec. 31, 2012 . . .	3,150
Jan. 1, 2010 – Dec. 31, 2011	1,875
Jan. 1 – Dec. 31, 2009 . . .	1,775
Jan. 1, 2004 – Dec. 31, 2008	1,875
Jan. 1 – Dec. 31, 2003 . . .	1,975
Jan. 1, 1995 – Dec. 31, 2002	1,775

\* If you elect not to claim the special depreciation allowance for the vehicle or the vehicle is not qualified property, the limit is \$3,460.

**Paperwork Reduction Act Notice.**

For the Paperwork Reduction Act Notice, see your tax return instructions.