LEASED VEHICLES

WORKSHEET TO CALCULATE "INCLUSION AMOUNT" FOR LEASED VEHICLES

The IRS requires lessees of luxury vehicles to calculate an "inclusion amount" to be included in their gross income. This inclusion amount must be considered by taxpayers that have leased a vehicle for a term of 30 days or more. By means of the inclusion amount, the law attempts to limit the taxpayer's lease payment deductions to the amount that would have been deductible under the limited depreciation rules had the taxpayer purchased the vehicle.

Description of vehicle:____

Date of lease:____

Lease term: ____

Fair market value of vehicle at inception of lease: ______________________________

Dollar amount per attached tables. (Select the appropriate Table, based on the inception date of the lease, at www.smbiz.com/sbrl003.html)	$____________[1]
Enter number of days during the year that the vehicle was leased.	x____________
Divide by number of days in tax year.	÷____________
Prorated dollar amount.	= $____________
Business use % (business/total miles).	x _________% [2]
Prorated inclusion amount.	= $____________

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[1]The dollar amount for the preceding year is used for the last tax year of the lease.
[2]Use 100% if all expenses are deducted by the employer and the personal use value is added to the employee's income.