

# Buying Versus Leasing a New Company Vehicle: What Seasoned Tax Veterans Want You to Know

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"To buy, or not to buy?" That is the question that many small- and medium-sized business owners face on a regular basis when it comes time to look at a most critical of investments: the company car. On one hand, buying your company car outright is a significant investment - the same as any other. If you're the type of person who would never even think about leasing a car for their own personal use, why should you do it for your business?

In truth, things might not be so straightforward. As with so many of the other decisions that you'll be making on a regular basis, there is NO "one-size-fits-all" answer to the question, "should I buy or lease my company car?" For some organizations, buying may be preferable because of the immediate tax write-off and other advantages. For others, leasing may be the way to go - it will all come down to the specifics of the situation.

When asked what type of advice they give to business clients when comparing the options of buying versus leasing a new vehicle, a number of seasoned financial professionals shed valuable insight on this process and offered a variety of tips and tricks you'll definitely want to pay attention to.

## **Buying vs. Leasing: What You Need to Know**

Many of the people who are initially attracted to buying a car over leasing it are looking at one thing in particular: the ability to write off a significant purchase as a business expense as fast as possible. Carey Gay of *Treasure Tax, LLC*, said that, "I usually start with the pros and cons of the business owning the vehicle. Whether they're getting to a position to sell, whether or not they have trouble with cash flow - these are all things that might undo any benefit they're getting from that initial write-off."

Joe Remington, CPA, has a different approach to helping his clients make this decision. He said that "the 'lease versus buy' decision can be complicated depending on the intended use of the vehicle and the cash position of the business," so he usually starts by walking his clients through the various things that can - and likely will - go wrong. "If the vehicle gets little 'wear and tear' and can be used for an extended length of time beyond the lease term, then you may lean toward purchase to save cash in later years," he said. However, "if the opposite is intended, you might lean toward the leasing option to avoid future years' costly repairs and maintenance."

Teszra Cody of One On One Tax and Financial Group, LLC, largely echoed these sentiments when she said, "Do the math! Before you enter into a lease or purchase agreement, actually do the math to see which option is more beneficial to you. Figure out how many estimate miles a year you will drive and how many years you plan on keeping the car. Remember that the differences in the tax laws for each situation may affect your choice."

As all of this can quickly prove complicated - particularly for someone who must already spend the majority of their time actually running a business - Cody said that people should never be afraid to bring in the help of a professional to help them make this decision. "Don't hesitate to seek help from a tax adviser if it becomes too overwhelming for you to manage," she said.



### **Some Things Never Change**

Even though buying and leasing a car for your business come with very different sets of long-term implications, there are still some things that will never change - like what you need to be doing with that car once you've got it on the road.

Luba Milgram of StarLite Tax Solutions said that whether you've decided to buy or lease a car, you should still "keep an accurate log of your business miles. There are software apps that can help you do that, or you can keep your log the old-fashioned way." She went on to say that, "Auto business expenses can be deducted based on mileage or actual expenses, and there are different rules behind each method."

Indeed, most experts agree - actually getting the vehicle in question is only the beginning of a much larger story, particularly as far as your finances are concerned. You still have to keep track of what you're spending, how you're using that car and much more - particularly as tax season sneaks up on us all once again.

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