

A Vehicle For Tax Savings

Trimming your personal income taxes with your RV

Financing freedom

Getting financed for an RV isn't as difficult as you might think. Loans for new RVs typically range from 5 to 15 years, with many even extending 20 years. Whether the purchase is financed through a bank, savings and loan, finance company, credit union or RV dealer, lenders typically require a 10 percent down payment on loans up to \$100,000 and 15 percent down for loans over \$100,000.

My RV can save me money?

When filing your taxes at the end of the year, you could grab a big deduction by claiming your RV as your second home. Depending on certain conditions, your RV can be considered a second home if it enables a person to use it as a dwelling unit—meaning that there must be cooking, sleeping and bathroom facilities. The Internal

Revenue Service (IRS) publishes two booklets that contain helpful information regarding the tax deductibility of RV loan interest. Copies of "Publication 936—Home Interest Deduction" and "Publication 523—Selling Your Home" are available by calling the IRS at 800.829.3676 or visiting their web site www.irs.gov.

How can I learn more?

The Michigan Association of Recreation Vehicles and Campgrounds (MARVAC) has a consumer web site that provides comprehensive listings of member dealers, campgrounds, manufacturers, suppliers and service companies throughout the state. MARVAC's web site www.marvac.org, also features articles about the RV lifestyle, upcoming RV shows, travel suggestions and links to other RV industry web sites. You can also request a free copy of the publication *RV & Campsite*.

Tax savings is just the beginning

Vacationing in an RV is more affordable than travel by personal car, airline or cruise ship. A study by PKF Consulting found that a family of four can spend up to 70 percent less when traveling by RV. For a typical week-long vacation, the study showed that, depending on the type owned, going by RV cost an average of 65 to 80 percent less than a cruise; 50 to 66 percent less than a trip involving air travel, rental cars, restaurants and hotels; and 9 to 42 percent less than traveling in a personal car, staying in hotels and eating in restaurants. RV vacations are among the most economical, regardless of the distance, duration or region.

The information and computations provided in this booklet are for persons in the 27% tax bracket who itemize their deductions. You may only claim one second home deduction on your taxes. Actual savings may vary. Please note that savings could change or be eliminated if there is any change in the present Internal Revenue code. For comprehensive information, it is recommended that you contact a tax professional.

How much can I save?

In order to demonstrate your estimated tax savings, you'll need to know the amount of the loan, the interest rate, and the length of the loan. We've provided a worksheet so you may figure out an approximate monthly payment and average monthly tax savings. For Example #1, let's assume that you have just purchased a new RV and plan to finance \$75,000 at an interest rate of 7 percent for 15 years. In Example #2, we've computed the monthly payment and savings for a \$15,000 loan, financed for 10 years at an interest rate of 8 percent.

Step 1: Calculate your approximate monthly payment.

Example #1

Let's see what your monthly payment will be on a \$75,000 loan.

Factor from Table A for 15 years at a rate of 7% 8.99
 Amount of loan (in units of \$1,000) x 75
 Approximate monthly payment \$674.25

Example #2

Use a \$15,000 loan for this example.

Factor from Table A for 10 years at a rate of 8% 12.14
 Amount of loan (in units of \$1,000) x 15
 Approximate monthly payment \$182.10

Now, try it with the amount you plan to borrow to buy your RV.

Factor from Table A for ____ years at a rate of ____% _____
 Amount of loan (in units of \$1,000) x _____
 Approximate monthly payment \$ _____

<u>Length of Loan</u>	<u>6%</u>	<u>7%</u>	<u>8%</u>	<u>9%</u>	<u>10%</u>
5 years	19.33	19.80	20.28	20.76	21.25
7 years	14.61	15.09	15.59	16.09	16.60
10 years	11.10	11.61	12.14	12.67	13.22
15 years	8.44	8.99	9.56	10.15	10.75
20 years	7.16	7.75	8.37	9.00	9.66

Step 2: Calculate your average monthly tax savings and your actual monthly cost.

Example #1

Let's calculate your average monthly tax savings.

Factor from Table B for 15 years at a rate of 7% 0.93
 Amount of loan (in units of \$1,000) x 75
 Monthly tax savings \$69.75

Figure your actual monthly cost.

Monthly payment (from step 1) 674.25
 Monthly tax savings - 69.75
 Actual monthly cost \$604.50

Example #2

Let's calculate your average monthly tax savings.

Factor from Table B for 10 years at a rate of 8% 1.03
 Amount of loan (in units of \$1,000) x 15
 Monthly tax savings \$15.45

Figure your actual monthly cost.

Monthly payment (from step 1) 182.10
 Monthly tax savings - 15.45
 Actual monthly cost \$166.65

Your total savings over the term of the above contract: 180 months (15 years) x 69.75 = \$12,555

Total savings over the term of the above contract: 120 months (10 years) x 15.45 = \$1,854.

Now, let's compute the tax savings and actual monthly cost for your loan.

Calculate your average monthly tax savings.

Factor from Table B for ____ years at a rate of ____% _____
 Amount of loan (in units of \$1,000) x _____
 Monthly tax savings \$ _____

Figure your actual monthly cost.

Monthly payment (from step 1) _____
 Monthly tax savings - _____
 Actual monthly cost \$ _____

Compute your total tax savings over the term of the loan contract.

Months of loan _____
 Monthly tax savings x _____
 Total savings \$ _____

<u>Length of Loan</u>	<u>6%</u>	<u>7%</u>	<u>8%</u>	<u>9%</u>	<u>10%</u>
5 years	0.72	0.85	0.97	1.10	1.23
7 years	0.73	0.86	0.99	1.13	1.27
10 years	0.75	0.88	1.03	1.17	1.32
15 years	0.79	0.93	1.08	1.24	1.40
20 years	0.81	0.97	1.13	1.30	1.48

For additional information, please contact:

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