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# FleetOwner

## Big tax break unlikely to boost truck sales

Dec 7, 2014 [David Cullen](#) | *Fleet Owner*



Even if a companion measure is adopted by the Senate in these waning days of the 113<sup>th</sup> Congress, [a bill hurriedly passed by the House to restore a range of significant tax breaks that had expired back in January](#) is not expected to have a measurable impact on 2014 new-truck sales.

The bill passed by the House included provisions that let businesses more quickly write off capital investments. On its surface, that would suggest fleets might opt to make additional truck purchases this month, albeit within whatever narrow window would open if the Senate indeed approved a similar measure and President Obama did not veto it.

[Mark Flinchum, CPA](#), partner in [Katz, Sapper & Miller's](#) Business Advisory Group, told *FleetOwner* that shortly after the House bill passed, two of his truck-fleet clients indicated "they would make acquisitions before the end of the year" if the measure ultimately became law.

He remarked that such a decision might amount to "pulling forward [purchases] from Q1 2015 into this month" and would be especially appealing if the legislation enabled the extension of "bonus depreciation" that likely would reach 50% based on similar measures passed by Congress in recent years.

"I would say this, though," Flinchum added. "A bonus-depreciation extension would have been more effective in motivating truck buyers had it been passed in, say, October."

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Dan Clark, [GE Capital's](#) president & gm of Transportation Finance, told *FleetOwner* that there would be a positive impact, albeit for a short time.

"There'll be a little sales spurt with trucks in inventory, but the majority of the sales are already in place for the year," Clark said. "They can't have anything manufactured before the end of the year.

"So, it will potentially reduce the inventory of the dealers and the manufacturers," he continued. "But I don't see a major movement in a two- to three-week period. "That's something that normally takes much longer."

Jon T. Gabrielsen, president & CEO of [J.T. Gabrielsen Consulting](#), concurred. "Generally," he told *FleetOwner*, "such a measure would merely pull sales forward with an equivalent sag in sales in the period right after the measure ends. Further, in this instance, the time period is so short – perhaps 15 to 17 business-- that it would be very difficult to imagine that any business purchasing anything as complex and involving as high an investment as commercial trucks would buy anything that was not already 'spiced out' and at the end of price negotiations anyway."

"Given that sales are already strong and that all of the year's build slots are already committed, the answer is, if there is any pull-forward of demand because of the last-minute change in the tax law, it will be incremental to already strong market-driven demand," Ken Vieth, senior partner & gm of [ACT Research Co.](#) told *FleetOwner*.

"At this late date," he continued, "I can't imagine the needle being moved by more than 1,000 units. Again, because of the expectation of already strong market-derived sales, a tax break isn't really necessary to drive demand into the end of this year."

Vieth also observed that "as cash-for-clunkers perfectly illustrated back in 2009, tax treatment doesn't change demand in the aggregate. It only changes the timing of when vehicles get purchased. If you weren't already planning on buying a vehicle, the change to the tax law is unlikely to sway your decision."

Eric Starks, president of [FTR](#), agreed such a tax break little benefit trucks sales so late in the game. "I don't think it will have a material impact on December sales," he told *FleetOwner*. "The industry is already producing as many trucks as they possibly can and should have a good sales month.

"The only thing that could occur is if there are trucks already produced that were not scheduled to be sold until January," Starks continued. "Then the truckers would try and take delivery early. However, that is probably not that many units. At most 1,000-2,000 trucks could be impacted."

Starks added that "this would be a pull forward from January sales into December. The size is so small it would be barely noticed by the industry."