Internal Revenue Manual Section 5.8.5.12 (09-30-2013)

Motor Vehicles, Airplanes, and Boats

1. Equity in motor vehicles, airplanes, and boats must be determined and included in the RCP. The general rule for determining NRE, as discussed in *IRM 5.8.5.4.1*, *Net Realizable Equity*, applies when determining equity in these assets. Unusual assets such as airplanes and boats may require an appraisal to determine FMV, unless the items can be located in a trade association guide. The case file should document how the values were determined.

2. It is not necessary to personally inspect automobiles used for personal transportation. When it appears reasonable, accept the taxpayers stated value. If the taxpayer failed to provide the value or the value appears to be unreasonable, consult a trade association guide. Generally, the Private Party or equivalent value should be used. In most cases, the vehicle will be discounted for the FMV to 80% to arrive at the QSV.

3. Exclude $3,450 per car from the QSV of vehicles owned by the taxpayer(s) and used for work, the production of income, and/or the welfare of the taxpayer's family (two cars for joint taxpayers and one vehicle for a single taxpayer).

4. When these assets are used for business purposes, they may be considered income producing assets. See also, *IRM 5.8.5.15*, *Income Producing Assets*, for a full discussion on the treatment of income producing assets.