

12/2/2015

Hello Coordinators,

The FAIM Council met this week to discuss the many recent requests for vehicles for FAIM savers enrolled in microenterprise. We also have a lot of new coordinators and wanted to give some guidance for talking through vehicle purchases with clients who are making the request.

Vehicle purchase is allowed only on the business track, in limited instances, if the critical need for it is well-documented in the business plan and the saver has prior approval from the Statewide FAIM Director.

If your saver is requesting a vehicle for their business, here are some considerations:

- Will they be using the vehicle at least 51% of the time for the business? Or, alternatively, do they have another vehicle for personal use?
- How will they be filing the vehicle on their taxes? If they are a sole proprietor, they will claim the mileage. If they are an LLC, the vehicle will need to be purchased by the business and depreciated. This should be well-outlined in the business plan. See the IRS website for more information: <https://www.irs.gov/taxtopics/tc510.html>
- How is the vehicle justified on the business plan? The plan should have narrative that includes why the vehicle is necessary and how it will contribute to the profitability of the business. It should also include necessary financial information, including a plan for repair and maintenance or a depreciation schedule.
- Is this the next critical piece for business expansion that will deliver the biggest return on investment?

As we discussed in our last FAIM Coordinator's meeting, business plans must be approved by a financial institution. If you are having difficulty getting your person connected to a financial professional, please contact your local Initiative Fund or Bremer Bank for assistance.

Thank you for your attention to this matter, and for your dedication to your savers!

Jill Amundson
Statewide FAIM Director