

# **Best Tax Practices – Mileage Matters**

## **Business, Charity, Moving, Commuting, Medical - *Driving for dollars!***

*More information can be found at [irs.gov](http://irs.gov)*

### **MILEAGE TYPE:**

- **PERSONAL** – Driving to the store, Laundromat, grandma’s house, your BFF, anything that is “personal” in nature
- **COMMUTING** – Driving to and from your W2 job
- **BUSINESS** – Driving to and from your business appointments and or doing “business” things for your job/profession/occupation (for which you are not reimbursed at the full IRS allowable rate)
- **MEDICAL** – Driving to/from doctor appointments, dropping off, picking up prescriptions, etc.
- **CHARITY** – Driving to/from your charity volunteer work (i.e., serving at a soup kitchen); when you drive to the local food bank to drop off food, when you take things to donate to charity such as Goodwill or the Salvation Army, when you donate blood, etc.
- **MOVING** – Miles driven **WHEN** moving meets specified criteria

### **101 NOVICE:**

You may be able to deduct unreimbursed expenses for the vehicle you own if you use the vehicle for 1) making business trips to visit customers, attending business meetings, or doing work related matters away from your regular workplace (i.e., office), 2) travel from one workplace to another (2nd job), 3) traveling to temporary workplaces.

- You must have records (logs) of your mileage.
- No deduction is allowed for strictly personal use, which includes commuting to and from work.

### **If you do not have mileage records/logs, You CANNOT claim any vehicle expenses on your tax return**

To determine the percentage of vehicle usage for business, you **MUST** have mileage records (logs) of your vehicle. Those records should include a beginning and ending of the year odometer reading in addition to your record book (log) showing you kept track of your vehicle usage for the individual business trips you made that year.

### **201 INTERMEDIATE:**

If you want to take the STANDARD MILEAGE RATE, you only need to know your beginning and ending of the year odometer readings and have your mileage records (log) of your individual business trips that year.

- You do not need to keep any receipts of vehicle expenses **if you use the standard mileage rate**

If you want to take the ACTUAL expenses for business use your vehicle, you must have ALL of the above **PLUS, you must KEEP all receipts** for things such as gas, oil changes, maintenance, tires, car washes, insurance, license & registration fees, lease payments, garage rental (not parking), etc.

### **301 ADVANCED:**

In the first year in which you use your vehicle for business and take an expense for it, if you use ACTUAL expenses, you **MUST ALWAYS** use actual expenses for the remainder of the years in which you use the vehicle for business. However, if in the first year in which you use your vehicle for business and you use the STANDARD MILEAGE RATE, you can then switch back and forth with actual expenses in subsequent years.

**BEST PRACTICE: 1) Always keep detailed mileage records/log and 2) in the first year of business use, take the STANDARD MILEAGE RATE.**

***Postscript:*** Using the Standard Mileage Rate will may not necessarily be as financially beneficial to you for the first year in which you use the vehicle for business (compared to using actual expenses) however, the amount of money you leave on the table in that first year will usually be made up many times over the life of the vehicle as you use it for business in subsequent years.