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TAX AND ACCOUNTING DIGEST

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Deducting Business use of Vehicles

There are two methods for claiming business vehicle expenses: actual expenses or the standard mileage rate. Both begin with complete and accurate mileage records such as a written travel log for each business use of your car or truck.

You can use the records to compute the percentage of business use and apply that against the total car operating expenses for the year. Or, you can use the records to compute the deduction using the standard mileage rate. The 2007 standard mileage rate for the use of a car (including vans, pickups, or panel trucks) is 48.5 cents per mile for business miles driven.

If you do not have a clear and accurate business mileage record, the IRS may disallow the deduction.

Car Expenses: To take a business deduction for the use of your car, you must determine whether the use was business or personal. If the answer is personal, no deduction is allowed. Personal use includes commuting – driving from your home to your regular place of work. A deduction may be allowed if you have multiple jobs or businesses. Driving from your home to “business one” is commuting, but driving from “business one” directly to “business two” is deductible. Also, you are usually allowed to deduct transportation costs for going from your home to temporary workplace regardless of the distance.

Deductible car expenses can include the cost of 1) traveling from one workplace to another, 2) making business trips to visit customers or attend business meetings away from your regular workplace, 3) going to temporary workplaces.

To claim the deduction, keep adequate records such as a written travel log with complete and accurate mileage records for each business use of your car. If you are unable to produce a clear and accurate business mileage record, the IRS may disallow the deduction.

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Deducting Vehicles…Continues

There are two methods for claiming business car expenses: actual expenses or the standard mileage rate. (1) Actual expenses: You can add your entire car operating expenses for the year, including gas, oil, tires, repairs, license fees, lease payments, registration fees, garage rental, insurance, and depreciation. Deduct the percentage of the total that was for business, based on your mileage records of business and personal travel. Deductions for business parking and tolls do not have to be divided.

(2) Standard Mileage Rate: The 2006 standard mileage rates for the use of a car (including vans, pickups, or panel trucks) were: (a) 44.5 cents per mile for business miles driven; (b) 18 cents per mile driven for medical or moving purposes; and (c) 14 cents per mile driven in service of charitable organizations (other than activities related to Hurricane Katrina Relief).

Travel expenses are your “ordinary and necessary” expenses while you are traveling away from home on business. You are required to show that your trip away from home was primarily for business. Keep all receipts and whatever other documents you can gather at the time of the trip to prove where you went, why you went there, how long you stayed and how much you spent. If your travel includes some business and some personal aspects, be sure to keep clear records showing exactly how much is related to business.

Make sure you keep the following: (1) Lodging receipts (2) Transportation receipts (3) Meal receipts.

Whether you use the standard meal allowance or actual expenses, you generally can only claim a deduction for 50 percent of the un-reimbursed cost of your meals while you are traveling.

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Have you received a letter from the IRS?

Contact us

770.956.6455

For advice and guidance

We're on the Web!

Visit us at:

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Facts about Capital Gains and Losses

1. Almost everything you own and use for personal purposes, pleasure or investment is a capital asset.
2. When you sell a capital asset, the difference between the amounts you sell it for and your basis, which is usually what you paid for it, is a capital gain or a capital loss.
3. You must report all capital gains, you may deduct only capital losses on investment property, not personal property.
4. Capital gains and losses are classified as long-term or short-term, depending on how long you hold the property before you sell it. If you hold it more than one year, your capital gain or loss is long-term. If you hold it one year or less, your capital gain or loss is short-term.
5. Net capital gain is the amount by which your net long-term capital gain is more than your net short-term capital loss.
6. The tax rates that apply to net capital gains are generally lower than the tax rates that apply to other income and are called the maximum capital gains rates.
7. If your capital losses exceed your capital gains, the excess is subtracted from other income on your tax return, up to an annual limit of $3,000 ($1,500 if you are married filing separately.

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