



Vehicles – Business Use

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PW Tax and Accounting

Vehicles – Business Use

Under certain circumstances a taxpayer can claim a deduction for using their vehicle for business purposes. If you use your car for business purposes, you ordinarily can deduct car expenses using either the standard mileage rate or actual expenses.

Use of a vehicle qualifies as business use under all of the following.

- Getting from one workplace to another in the course of a taxpayer's business or profession when the taxpayer is traveling within the city or general area that is the taxpayer's tax home.
- Going to a business meeting away from the taxpayer's regular workplace.
- Getting from home to a temporary workplace when the taxpayer has one or more regular places of work. These temporary workplaces can be either within the area of the taxpayer's tax home or outside that area.

Temporary Work Location

A temporary work location is a work location that is realistically expected to last, and does in fact last, for one year or less. Commuting from home to a temporary work location is deductible only if the taxpayer has one or more regular work locations, or the temporary work location is outside the taxpayer's tax home area.

Example: Tom repairs computers for a company at a regular location. On occasion, he is sent to work on computers at the customer's work location, which at times can last for several weeks. On the days he commutes to the customer's place of business, his vehicle expenses are deductible business expenses.

Two Places of Work

If a taxpayer works two jobs in one day, whether or not for the same employer, the expense of getting from one workplace to the other is deductible. However, if a taxpayer has a second job that is not temporary, and it is on a day off from the main job, the commuting expenses are not deductible.

Example: Shae is a construction worker who gets work through her local union. Most construction jobs are located within the metropolitan area where Shae lives. Each construction project lasts for two to three months. After a job is complete, Shae is unemployed until the union finds new work for her. The cost of commuting to each temporary job site within the metropolitan area is nondeductible personal expenses because Shae does not have a regular place of work. However, on the occasions where Shae is sent out of town on construction projects, the commuting expenses are deductible as business travel expenses. Also, on days where she works at more than one job location, the cost of traveling between the two work locations is deductible as a business expense.

Commuting

The cost of commuting from home to a taxpayer's main job is a nondeductible personal expense. This is true regardless of the distance traveled to get to work. A taxpayer cannot convert a nondeductible commute into a business expense by doing work during the commute.

Parking

If the trip is deductible, the parking is deductible. If the trip is nondeductible commuting, the parking is nondeductible.



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Advertising Display

Putting display material on a vehicle that advertises the taxpayer's business does not change the use of the vehicle from personal to business. Business use is determined by the trip.

Car Pools

If a car pool is not for profit, the cost of using the car is not deductible, and any reimbursements received are not treated as income. If the arrangement is for profit, reimbursements from passengers are income, and the cost of the commute is deductible.

Hauling Tools or Instruments

Hauling tools or instruments to work does not change the use of the vehicle from personal to business. However, any additional costs, such as trailer rental to haul the tools, are deductible.

Office in the Home

If an office in the home qualifies as a principal place of business, daily transportation costs between home and another work location in the same trade or business are deductible.

Standard Mileage Rate

Instead of deducting actual costs, a taxpayer can use the standard mileage rate method to calculate the amount deductible for business use of a vehicle. The deduction is calculated by multiplying the number of business miles driven by the applicable standard mileage rate. The standard mileage rate eliminates the need to keep track of actual costs.

For 2015, the standard mileage rate for the cost of operating your car for business use is 57.5¢ per mile.

Costs Included in the Standard Mileage Rate

The standard mileage rate can be used to replace the actual cost of depreciation, lease payments, maintenance and repairs, gasoline, oil, insurance, and vehicle registration fees.

Costs Not Included in the Standard Mileage Rate

In addition to deducting the standard mileage rate, the business percentage of the following costs is deductible.

- Interest expense for a self-employed individual, (but not for an employee, even if the vehicle is used 100% for business).
- Personal property taxes.
- Parking fees and tolls.

Choosing the Standard Mileage Rate

To use the standard mileage rate for a car that is owned by the taxpayer, it must be used in the first year the car is available for business. In later years, the taxpayer can choose between either the standard mileage rate method or actual expenses. If you use the standard mileage rate, you cannot deduct actual car expenses for that year.

Actual Expense Method

A taxpayer can figure a business auto expense deduction by comparing the standard mileage rate with actual expenses and choosing the larger amount in the first year the vehicle is used for business. If the actual expense method is chosen in the first year, it must be used in all subsequent years until the vehicle is no longer used for business.

Actual car expenses include the cost of depreciation, lease payments, registration fees, licenses, gas, oil, insurance, repairs, tires, garage rent, tolls, and parking fees. Sales tax paid on the purchase of a car is added to the basis of the car and deducted through depreciation. Fines for traffic violations are never deductible, even if incurred while driving for business.

Contact Us

There are many events that occur during the year that can affect your tax situation. Preparation of your tax return involves summarizing transactions and events that occurred during the prior year. In most situations, treatment is firmly established at the time the transaction occurs. However, negative tax effects can be avoided by proper planning. Please contact us in advance if you have questions about the tax effects of a transaction or event, including the following:

- Pension or IRA distributions.
- Significant change in income or deductions.
- Job change.
- Marriage.
- Attainment of age 59½ or 70½.
- Sale or purchase of a business.
- Sale or purchase of a residence or other real estate.
- Retirement.
- Notice from IRS or other revenue department.
- Divorce or separation.
- Self-employment.
- Charitable contributions of property in excess of \$5,000.

This brochure contains general information for taxpayers and should not be relied upon as the only source of authority. Taxpayers should seek professional tax advice for more information.

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