

Certified Public Accountant

tom@avmaraccounting.com

lisa@avmaraccounting.com



Phone: 954.764.0404

Fax: 954.764.2327

www.avmaraccounting.com

Business Use of Vehicle

In general, if you use your vehicle in pursuit of a trade or business, you are allowed to deduct the ordinary and necessary expenses incurred while operating the vehicle. However, any expenses associated with the personal use of the vehicle are not deductible. For purposes of these deductions, "car" includes a passenger vehicle, van, pickup or panel truck.

Personal vs. business miles. Business use of your car can include traveling from one work location to another work location within your tax home area; visiting customers; attending a business meeting away from the regular workplace; and traveling from home to a temporary workplace if you have one or more regular places of work. The costs of travel between home and a regular place of work, however, are nondeductible commuting expenses.

Standard mileage rate vs. actual cost method. In lieu of proving the actual costs of operating an automobile owned by them, employees and self-employed individuals may compute the deductible costs for their business use of an auto using a standard mileage rate. The 2017 standard mileage rate is 53.5 cents per mile. You may not depreciate your car or deduct lease payments if you use the standard mileage rate method. If you use the actual cost method, you may take deductions for depreciation, lease payments, registration fees, licenses, gas, insurance, oil, repairs, garage rent, tolls, tires and parking fees. Regardless of the method used, if the vehicle is driven for personal as well as business purposes, only expenses or mileage attributable to the percentage of business use are deductible. There are separate considerations involved in leasing a car for business.

Substantiation. If you are using your car for business purposes, whether owned or leased, proper recordkeeping is critical. The recordkeeping requirements vary depending upon which method you use. If you use the standard mileage rate, you should keep a daily log showing the miles traveled, destination and business purpose. Recordkeeping under the actual cost method is somewhat more onerous. You should also keep a mileage log if you use the actual cost method in order to establish business use percentage. In addition, you must keep receipts, invoices and other documentation to verify expenses. Finally, you must be able to prove the original cost of the vehicle and the date it was placed in service for business use in order to claim depreciation

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Vehicle Expense Worksheet

Year, Make and Model	_____	Vehicle Cost	_____
Start Date For Business Use	_____	Lease Payments	_____
End Date for Business Use (if applicable)	_____	Fuel	_____
Odometer on January 1st or first date of use	_____	Insurance	_____
Odometer on December 31st or last day of use	_____	Repairs and Maint	_____
Personal Miles	_____	Other	_____
Commuting Miles	_____		
Business Miles	_____		
Percentage of Business Use _____			
Do you have another vehicle available for personal use? YES NO			
In the event of audit, taxpayer is required to keep mileage log and written evidence supporting the mileage deduction. If you have questions regarding supporting documentation please contact our office.			
Briefly describe how your business vehicle is used for business related purposes:			