

# Automobile Expenses



Automobile expenses can add up to a significant expense for a business. These expenses are deductible if the auto is used in connection with a trade or business, or in connection with an income producing property. Proper recordkeeping of these expenses can help business owners maximize their deductions and reduce their overall tax bills.

Additionally, individual taxpayers who itemize may deduct automobile expenses related to charitable work and medical care, subject to certain income limitations.

The key to maximizing your tax savings is good recordkeeping.

Below is a summary of some of the basic rules related to deductible auto expenses and the required recordkeeping for them. Please contact us if you would like further information or assistance in maximizing your auto deductions.

The tax code gives you a choice of two ways to calculate and deduct vehicle expenses: the standard mileage rate or the actual expense method.

## Standard Mileage Rate

The standard mileage rate may be used in lieu of tracking your actual gasoline, oil, repair, interest, depreciation and other auto-related costs. However, even if you do use the standard mileage rate, you will still need to keep a written record of the mileage, including date, purpose and mileage (beginning and ending odometer readings are recommended) to substantiate your deduction.

Additionally, expenses for parking, tolls, and annual auto tabs are not included under the standard mileage umbrella, so these expenses should be tracked and documented in addition to your mileage records.

The standard mileage rates for 2011 are as follows:

	1/1 - 6/30/11	7/1 - 12/31/2011
§ Business mileage	51 cents per mile	55.5 cents per mile
§ Charitable mileage	14 cents per mile	14 cents per mile
§ Medical mileage	19 cents per mile	23.5 cents per mile

## Actual Expense Method

Under the actual expense method, you can deduct business-related auto expenses including gasoline, oil, repairs, lease payments, insurance, interest and other vehicle-related costs. Detailed records supporting all claimed expenses must be kept. Additionally, a mileage log must be kept detailing the date, business or other purpose and mileage (again, beginning and ending odometer readings are recommended). If you are using your car for both business and pleasure, the deduction is calculated based on an allocation of total mileage for each purpose.

You may choose the method that is most advantageous in the first year the car is placed in service, however, the standard mileage rate cannot be used if two or more autos are used simultaneously in one

Switch to the mileage method once the actual method has been used.

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