From the desk of
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IRS Auto Expense Requirements

The IRS has specific rules in place as to what types of business driving is eligible for business deductions either by using the actual expense or the mileage method.

First, to the dismay of most taxpayers, the daily commute from your home to your permanent work location does not qualify for a business mileage deduction.

Once you have arrived at your permanent workplace and then need to travel to a second business location that is not your primary office that mileage is considered deductible.

Business mileage that qualifies under the IRS guidelines is any travel to and from business conferences, off-site meetings, business related events including business related lunches and dinners with current or prospective customers.

You can also deduct business mileage if you travel to visit customers or use your vehicle to run business related errands such as obtaining supplies or other business activities.

Keeping a mileage log is mandatory

The IRS is very strict as to documentation requirements for business mileage deductions. For this reason, it is mandatory to maintain a thorough and accurate mileage log. Most people fail to do so and lacking the mileage log generally is basis for disallowance of all business vehicle deductions. There are a number of smart phone "apps" available.

Lacking that record will lose any auto related deductions in an audit.

A mileage log must include the starting mileage on your vehicle's odometer at the beginning of the year as well as the ending mileage at the conclusion of the year.

Our suggestion is that you at the minimum record the mileage odometer reading on the vehicle as of January 1 each year, but again, that is a minimum requirement.

Each time you use your vehicle for business purposes you are required to record the following information:

· The date of your trip
· Your starting point
· Your destination
· The purpose of your trip
· Your vehicle's starting mileage
· Your vehicle's ending mileage
· Tolls or other trip-related costs

Any method that records the above is acceptable as long as it is readable, consistent, and relates to other documentation that corroborates the entries such as if you should claim traveling for a business meeting which includes a business lunch, that documentation which needs to meet the requirements thereto is consistent with the entries made for the mileage.

The IRS in an audit will note the mileage indicated on any and all repair bills, therefore the mileage log needs to be consistent with those documents.

You may maintain a mileage log in a notebook and update it by hand, use a spreadsheet to continuously track your mileage, any of many mileage-tracking apps.

The key is to update your records regularly to ensure that those records are precise.

The IRS requires the mileage record kept be current and contemporaneous with the travel.

Calculating business mileage

There are two options for claiming your business mileage deduction:

· the standard mileage rate as determined by the IRS;
· or actual expenses.

Should you choose to employ the standard mileage method a preset amount provided by the IRS annually applies to every business mile allowable for business purposes.

The IRS establishes a standard mileage rate each year.

For 2024 the standard mileage rate is 67 cents per mile.

When employing the standard mileage rate, you forego the deduction of any other vehicle operating expenses including repairs, maintenance, and registration fees.

All of these items including depreciation for your vehicle are factored into the IRS's standard mileage rate.

Should you use actual expenses a thorough record of all vehicle-related costs including standard maintenance and repairs must be maintained to which the calculated percentage of business mileage compared to total mileage for the vehicle is applied to compute the business portion of the allowable business deduction for your vehicle usage.

Lastly, there are no automotive or business expenses allowed as a **Miscellaneous Deduction** for individual taxpayers until after 2025 due to the Tax Credit and Jobs Act passed in 2017 during the Trump Administration. Unless Congress passes legislation to extend that prohibition, that deduction will return in 2026. This does not bar the auto expense for businesses, rental properties, or other business entities reporting business deductions.
