IRS Mileage Requirements

Qualifying mileage

The IRS has specific rules in place as to what types of business driving are eligible for a mileage deduction.

Your daily commute from your home to your permanent work location does not qualify for a business mileage deduction.

Once you have arrived to your permanent work place and then need to travel to a second company 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 related activities.

Keeping a mileage log

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. 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.

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 also notes the mileage indicated on all repair bills therefore the mileage log needs to be consistent with those documents as well.

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 record keeping to 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 applies to every business mile allowable for business purposes.

The IRS establishes a standard mileage rate each year.

For 2016 the rate is 54 cents per mile.

When employing the standard mileage rate you cannot deduct 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 a 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.
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