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SIMPLIFIED METHOD FOR DEDUCTING BUSINESS MILEAGE FOR CARS

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Simplified Deduction Method. The mileage allowance deduction **replaces actual expenses** for lease payments (or depreciation if purchased), maintenance, repairs, tires, gas, oil, insurance and license and registration fees. You may still claim additional deductions for **parking fees and tolls** connected to business driving.

Advantages of Using Standard Mileage Rate.

- Mileage rate users need **not** keep a record of actual expenses, or retain receipts where required. A record of the time, place, business purpose and number of miles traveled suffices.
- If an auto's business expenses are deducted via the mileage rate, it is **not** subject to the Code Sec. 280F dollar caps, or the special rules that apply if qualified business use does not exceed 50% of total use.
- Thrifty, high-mileage models may yield **bigger deductions** than the actual expense method.

Disadvantages of Mileage Rate Method.

- The mileage method may also produce **smaller** deduction than actual operating expenses plus depreciation (or lease payments) in certain situations.
- Use of the mileage rate method prevents the taxpayer from claiming regular MACRS deductions in later years.

The standard mileage rate may **not** be used for a purchased auto if:

- It was previously depreciated using MACRS or other an **accelerated** method;
- A **Code Sec. 179 expensing** deduction was claimed for the auto;
- The vehicle is used for **hire**, such as a taxicab.
- **Five or more autos** owned or leased by a taxpayer and used simultaneously (fleet operations).
- **Rural mail carriers** who receive qualified reimbursements.

Other Business Mileage Rules:

- A taxpayer who uses the mileage allowance method for an auto he owns **may switch** in a later year to deducting the business connected portion of actual expenses, so long as he depreciates it from that point on using straight line depreciation over the auto's remaining life.
- A taxpayer may use the mileage allowance method for a **leased auto** only if he uses that method for the entire lease period (including renewals).

Other Applications of Mileage Allowance Method.

- Employers that require **employees to supply their own autos** may reimburse them at a rate that doesn't exceed certain thresholds, whether the autos are owned or leased.
- The reimbursement is treated as a **tax-free accountable-plan reimbursement** if the employee substantiates the time, place, business purpose, and mileage of each trip.
- An employee's **personal use** of lower-priced company autos during 2010 may be valued at **50¢** per mile.

Mileage Rates for 2011/2012.

- The **standard mileage rate for business travel** is **51¢** for the first half of 2011 and **55.5¢** for the second half.
- Taxpayers using their car to travel to a new location may claim a **19¢ per mile moving** expense deduction for the first half of 2011 and **23.5¢ for the second half**.
- Mileage rate for use of a car for qualified **medical** transportation is **19¢ a mile for the first half of 2011**, and **23.5¢ a mile for the second half of 2011**.