

Taking Mileage Deductions

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You probably already know this, but if you use your personal vehicle for business purposes, you can likely take a deduction on your tax return! Whether you are a self-employed business owner or an employee who must sometimes use a personal vehicle for work, this is a potentially large deduction that you do NOT want to miss out on. There are different ways in which the deduction may be calculated and in how it gets reported, depending on your individual circumstances. You'll want to consult with your Tax Manager to find out which method is best for your particular circumstance, and the method that you use may change from year-to-year based on what is most beneficial. The most important thing to keep in mind if you think you'll be able to benefit from the deduction is this – you must have the documentation to support your deduction. Not only is this information necessary to do the calculations, the IRS requires it should you ever be audited and asked to substantiate the deduction.

The easiest way to document your mileage is by keeping an annual log. The log should include the date and purpose for your trip, as well as the destination and total miles driven. Your log can be as simple as a notepad kept in your vehicle, or you can make use of the many smartphone apps that are now available for this purpose. Some of the apps are rather elaborate and are more suited for vehicles that get used primarily for business (like a truck used for landscaping). Examples of these apps include MileIQ, TripLog and TrackMyDrive. They automatically detect travel and will log every trip. You can then categorize each trip and run reports based on the logged information. Simpler apps also have features that will help to track your mileage, such as ItsDeductible and QuickBooks. However, these apps often require you to manually input the information.

Some people only use their personal vehicle for business purposes a few times per year. Often the reason is to attend continuing education or a seminar. In this circumstance, it is acceptable to retroactively log your trip, by looking back at the dates attended and retrieving the mileage from Mapquest or Google Maps (or something similar).

I'd like to point out that business use isn't the only potential deduction. Do you itemize your deductions? If so, and if your out-of-pocket medical expenses are high enough to deduct, then miles driven for medical purposes (doctor visits, pharmacy, hospital, etc.) may also be deducted. The rate used to calculate the deduction for 2017 is 17 cents per mile.

If you itemize your deductions, you may also deduct 14 cents per mile driven for charity (volunteer work) and 17 cents per mile for moving/relocating for work (subject to meeting the moving deduction qualifications). Again, the key is to keep sufficient records of any miles driven that you think could qualify for a tax deduction. Then your Tax Manager will work with you to determine if a deduction is available and what the most beneficial reporting scenario will be.