

Deducting Auto Expenses

A brief guide provided courtesy of:



The IRS provides two different methods for businesses to deduct expenses related to use of vehicles. Each vehicle used for business may utilize **one** of the following methods unless otherwise noted.

Standard Mileage

- Easier of the two methods
- Requires a mileage log including only business trips
- Does **not** require record/tracking of all expenses paid
- **Not allowed if more than 5 vehicles are used at one time**
- Deduction equals business mileage times the rate set by the IRS (*\$0.67/mile in 2024*)
- Parking fees and tolls are added separately
- May reduce your overall accounting and tax preparation costs
- Is frequently higher than deducting actual expenses, especially in later years once vehicle cost has been depreciated.



Actual Expenses

- Requires a mileage log including personal and business trips
- Requires record/tracking of all expenses paid ie. fuel, parking, tolls, insurance, repairs, purchase price
- Mileage logs and actual expenses paid need to be allocated to each vehicle
- Required for vehicles titled to a Corporation or S Corporation
- Required if more than 5 vehicles are used at one time
- Deduction equals total of actual expenses times the business use percentage (*Business mileage/total mileage*)
- Deduction for cost of vehicle may be limited each year
- May result in taxable income upon the sale or trade-in of your vehicle
- May increase your overall accounting and tax preparation costs

Note:

1. Business mileage does **not** include your travel from your home to a separate office location you maintain.
2. Business mileage may be tracked by hand using a printed mileage log, or digitally using software or an app. If you utilize software or an app, you may provide us with the login information and we will automatically obtain the reports we need to track your expense.