

Using Your Car in Your Business

Good record keeping is the key to deducting car expenses on your tax return. You need to know how many total miles you've driven during the year, and how many of those miles were for business.

If each January 1 you write down your car's odometer reading, you'll always know the total mileage for the year. Calculating the number of miles driven for business is not as easy. If you have a deductible office-in-home, you can begin counting your business miles when you leave your home and travel to another business location. If you don't have a home office, the trip to and from home is non-deductible commuting. To reduce commuting miles, consider opening a business post office box near your home or buying from a nearby supplier. From home to that stop will still be commuting, but business mileage from there will be deductible.

An auto log or notebook is the best way to record the number of deductible miles you drive each year. However, if you're one of the many who find it hard to keep an ongoing log, try one of these methods:

- In your appointment book note the number of business miles you drive each day.
- If you travel the same route regularly, measure the distance once and count the number of times you make the trip.
- For a vehicle that's used primarily for business, keep track of the personal, rather than business, miles driven.
- If your business driving is similar throughout the year, keep detailed records for one month of each quarter or one week of each month and project your annual business mileage from those figures.

Your car expenses can be deducted using whichever of the two available methods is more beneficial. In the actual expense method, all car expenses are added together and multiplied by the business percentage of car use. Using the mileage rate method, the number of business miles is multiplied by 31.5¢ a mile (32.5¢ beginning 1/1/98). Prior to 1998 returns, this method cannot be used for leased cars.

The record keeping for car use may seem tedious but, with a good system, the resulting deduction will make your efforts worthwhile.

by Jan Zobel, EA