



Claiming Vehicle Expenses... Keep a Record!

Recently, a CPA lost his own business automobile deduction case in the U.S. Tax Court. The CPA had deducted business automobile expenses based on calculations from an after the fact MapQuest and not a contemporaneous diary or log. Tax court determined in this case that MapQuest did not provide adequate records for the purpose of a business automobile deduction.

Vehicles are used for business purposes. A business purpose can entail a client visit, delivery of goods, a sales trip or work training.

IRS Publication 463 (Travel, Entertainment, Gift and Car expenses), Chapter 4, discusses car expenses. It is important to know what deductions can be taken at the end of the year and what records to have in order to support a business automobile deduction in the event of an IRS examination. First and foremost, personal commuting expenses are not deductible regardless of how far the individual's home is away from his regular place of work. However, car expenses can be deducted if the individual uses the car for actual supportable business purposes.

If you are claiming vehicle expenses on your Tax Return you must fill out Form 2106, and attach it to Form 1040. The general information that IRS requires is:

- The date the vehicle was placed in service.
- The total miles the vehicle was driven during the year.
- The business miles driven during the year.
- The percentage of business use (Divide business miles driven by the total miles driven).
- The average daily roundtrip commuting distance.
- The total number of commuting miles that are included in the total miles that the vehicle was driven.

IRS also wants to know if the vehicle was available for personal use during off-duty hours and if the individual (or the spouse) have another vehicle available for personal use. Very importantly, IRS also wants to know if the Taxpayer has **evidence** to support the deduction, and if that evidence is in written form.

Adequate records are essential for supporting automobile business expenses. Taxpayers should keep proof in an account book, diary, log, statement of expense, trip sheet or a similar record. There is no IRS approved form. Documentary evidence, such as receipts, canceled checks, bills and other documents that support the deduction must be kept as evidence.

Foodman CPAs and Advisors * 1201 Brickell Avenue * Suite 610 * Miami, Florida 33131
Tel 305 365 1111 * Fax 305 365 2244 * www.foodmanpa.com * info@foodmanpa.com

IRS has a Daily business mileage and expense log example in Publication 463 with date, destination business purpose, odometer readings and expense. Although tedious, it is recommended that Taxpayers keep detailed records.

In sum, Taxpayers are required to keep detailed records through a contemporaneous log of each trip taken. Taxpayers want to be able to demonstrate that the vehicle deduction was related to business and not personal use in the event that the Taxpayer's Tax Return is reviewed by IRS. An oral recount to an IRS agent of the Taxpayer's trips and expenses is not considered adequate evidence.

Don't be a victim of your own making. Consult your tax specialist if in doubt about claiming vehicle expenses.