



Tax Tips You Can Use Oct 2005
Vehicle Expense Deductions
By Kathleen Crawford, EA

The expense incurred for the use of your vehicle is a deduction that is misunderstood and often overlooked at tax time. Did you know that you can deduct the expenses for use of your vehicle as transportation to your medical appointments, when you drive for a charitable purpose or when driving for a business, even if you are an employee? In this article, I will discuss the mileage deduction for business, medical and charitable uses of a vehicle.

The first important item of note is the mileage rate. For 2005, the rate for business miles has been 40.5 cents per mile. The rate for medical and moving miles has been 15 cents per mile. The government has seen the prices rise at the gas pump and responded. The rates from September 1, 2005 to December 31, 2005 have just been changed so that the rate for business miles is 48.5 cents per mile and the rate for medical and moving miles is 22 cents per mile. The rate for charity miles is set by law at 14 cents per mile and is unchanged at this writing. (Congress may raise the rates even more, so stay tuned.)

You can deduct mileage for use of your vehicle for medical purposes- that is driving to the doctor, hospital, pharmacy or dentist. You can deduct mileage for use of your vehicle for charitable purposes like driving to volunteer at the hospital, a school, or other charitable group.

IRS publication #463 defines business miles with one set of rules whether you are self-employed, an employee, a farmer or own rental property. The commute from home to your workplace is never deductible. Once you get to work, the miles you drive to see clients, to pick up parts for your group or do banking for the store are counted as business miles. If you have a second job, the miles from the first job to the second job are deductible. If your office is in your car, like salespeople, then the miles you log after your first stop and before your last stop are deductible. If your employer reimburses you at less than the federal rate, then you can claim the difference as a deduction on your tax return.

Recordkeeping is important to document the use of your vehicle. You must track with some receipts or a log your medical, charity and business use, the number of business miles and the total miles for the year. My New Years Day ritual is to note all of the odometer readings for our vehicles. IRS publication #463 has examples of the types of logs the IRS would like all of us to keep. It also has guidance for those with imperfect or lost records. If you have questions about how to keep a log or have imperfect records, see your tax preparer to insure that you have sufficient information to take a deduction on your tax return.

The fine print is that this article is for information only. Please call Kathy or a tax professional for questions about your individual tax situation. The Jacksonville Tax Lady can be reached at 541-899-7926 or at 610 North Fifth Street.

