



Tax Tips You Can Use June 2009

Deduction for Business and Non Business Mileage

By Kathleen Crawford, EA

Each year, Oregon tax preparers take classes to learn about the new laws for the tax filing season. In 2009, the Rogue Valley preparers were fortunate to have people from the Oregon Department of Revenue teach about the updates to Oregon law. The subject of mileage deductions got a lot of attention and this article is about substantiation for business and non business mileage. The calculation of mileage deduction amounts is a subject for another time, but every deduction needs substantiation. The Oregon auditor said flatly that "no log means no deduction".

Many people guess the amount of mileage to put on their return. One tax preparer actually painted numbers on her ceiling because so many people, when asked for their mileage number, would look at the ceiling, frown, and then say a number. She thought painting numbers on the ceiling would help them out. The "look at the ceiling" method is not a good method to describe in an audit.

IRS publication 463 states that car expenses should be documented by recording the cost of each separate expense. You must record the mileage for each business use, the date, the destination and the purpose. In addition you need to record the total mileage for the year and the date of first business use. Does anyone do that? The tax court has issued rulings allowing records called "alternate methods of substantiation" that are more real world.

Tax law allows deductions for business mileage and several types of personal mileage. Business miles include those driven as a self-employed person, those miles driven as part of one's job which are not reimbursed by the employer, miles driving to manage rental property or farm maintenance miles. Non-business miles include miles driven during a move (with limitations), miles driven to medical appointments, dentists and other medical needs and miles driven in support of a charity. In each case, keeping a log is the surest way to justify business mileage. Other methods include noting mileage or odometer readings on a daily calendar. Making notations in Outlook™ or a computer calendar program is a good alternate method. Noting mileage on receipts is another method but is clumsy and cheats the taxpayer who loses any receipts.

Both the IRS and Oregon auditors are looking harder at mileage records. You should work with your tax preparer to insure that you have a workable method to track mileage so you can claim all of the mileage deduction to which you are entitled.

The Jacksonville Tax Lady, LLC can be reached at 541-899-7926 and is located in beautiful, historic Jacksonville at 610 N. Fifth Street across from the Pony Espresso.

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.

