Don’t Overlook Standard Mileage Rate Add-Ons

Article Highlights:

- Standard Mileage Rate Expenses
- Additional Deductible Expenses
- Auto Loan Interest

Business owners often use the standard mileage rate instead of actual expenses when taking a deduction for the business use of their vehicle. The standard mileage rate is determined annually by the IRS by using data from a study conducted by an independent contractor of vehicle operating expenses based on the prior year’s costs. The operating expenses include:

- Gasoline,
- Oil,
- Lubrication,
- Repairs,
- Vehicle registration fees,
- Insurance, and
- Straight line depreciation (or lease payments).

What business owners using the standard mileage rate frequently overlook is that parking and tolls, as well as state and local property taxes paid for the vehicle and attributable to business use, may be deducted in addition to the standard mileage rate.

Regardless of whether the standard mileage rate or actual expense method is used, a self-employed taxpayer may also deduct the business use portion of interest paid on an auto loan on their Schedule C. However, employees may not deduct interest paid on a consumer car loan.

If you have questions related to taking a tax deduction for the business use of your vehicle, please give this office a call.