## Tax Deductions for Owner-Operator Truckers

**Article Highlights:**

- Meals Away from Home
- Lodging
- Other On-The-Road Expenses
- Vehicle (Tractor) Cost Write-Offs
- General Business Expenses
- Heavy Highway Vehicle Use Tax
- Subcontractor Payments
- Nondeductible Expenses

As an owner-operator in the trucking industry, your tax situation is unique. You benefit from special allowances for meals, are allowed very large write-offs for tractors and other equipment, must pay additional taxes and permit costs, and may have special reporting requirements in addition to your tax returns. The following is an overview of the tax issues that may apply to owner-operators.

- **Meals Away from Home –** As an owner-operator trucker, you may deduct the actual cost of your meals; this requires you to save your receipts. Alternatively, you can deduct the IRS' standard meal allowance for the transportation industry, using your logbooks as substantiation. For 2016 and 2017, amount for meals and incidental expenses is $63 per day. Whether you use the actual-expense method or the standard method, only 80% of the total for the year is deductible. Even though only 80% is deductible, keep track all expenses for tax purposes, as the 80% adjustment is made during the tax-return preparation process

  Meals are deductible if you need to stop for substantial rest in order to properly perform your duties while traveling on business.

- **Lodging** – Lodging expenses are deductible. Unfortunately, there is no standard allowance for lodging; thus, you must keep a receipt for each lodging expense. Generally, to deduct lodging expenses, you must be away from home overnight.

  One issue that could result in the disallowance of lodging and other travel expenses is not having a regular place of business or place of residence. In this case, you would be considered an itinerant (or transient), and your home for tax purposes would be wherever you work. As an itinerant, you would not be able to claim a deduction for lodging and meals because you would never be considered to be away from home.

  **Other On-The-Road Expenses –** Generally, to be deductible, items must be both ordinary and necessary to your job. For truckers, these expenses include laundry (when away overnight), gloves, logbooks, maps, cell phones, CB radios, tools, safety gear, cargo straps, and any other incurred expenses that are ordinary and necessary in the business. Generally, receipts are required, but if the business expense is less than $75, a receipt is not necessary, provided that you record all of the information in a diary in a timely manner.

- **Vehicle (Tractor) Cost Write-Offs –** The current tax code provides several options for writing off the cost of a vehicle, including immediate expensing of up to $510,000 (as of 2017) during the year the property is put into service; first-year depreciation equal to 50% of the vehicle's cost; normal deprecation; or a combination of all three. These options allow owner-operators to pick almost any amount of write-off to best suit their particular circumstances. For normal depreciation, the IRS allows a recovery period of 3 years for over-the-road tractor units and of 5 years for trailers, trailer-mounted containers and heavy-duty trucks (13,000 pounds or more).

- **Vehicle (Tractor) Operating Expenses** – Of course, vehicle operating expenses – including fuel, licenses, taxes, maintenance and insurance – are deductible. Depending on the nature and cost, some expenses may have to be depreciated.
- **General Business Expenses –** Owner-operators can usually deduct the following expenses: trucking-industry and business-related subscriptions, association dues, computers and software, Internet service, cleaning supplies, business interest, office supplies, DOT physicals, drug testing, sleep apnea studies, postage and other business-related expenses.
- **Heavy Highway Vehicle Use Tax –** The heavy highway vehicle use tax (Form 2290) applies to highway vehicles weighing 55,000 pounds or more. The due date for this form is based on when (during the annual filing period) the vehicle is first used on a public highway. For the period of July 1, 2016, through June 30, 2017, Form 2290 is due by the end of August 2016 for vehicles first used on a public highway in July 2016. For vehicles first used on a public highway after July, the use tax is prorated, and the form is due by last day of the month following the month of first use. See when to file for more details. The use tax ranges from $100 to $550 per vehicle for a full year, depending on the vehicle's weight. You will need to have an employer ID number to file the Form 2290; your Social Security number cannot be used as the ID number.
- **Subcontractor Payments** – If you paid an individual for services during the year, that person was most likely a subcontractor. Payments of $600 or more to subcontractors must be reported to the government by filing Form 1099-MISC. This form requires the subcontractor's name, address and tax ID number as well as the payment amount. There are penalties for failing to file this form, for filing it late and for filing it without the tax ID number. All these penalties can be avoided by (1) having contractors complete Form W-9 before you pay them and (2) filing the 1099-MISC forms by January 31 of the subsequent year.

Some expenses are not deductible; those with limited knowledge of trucker expenses may take these deductions, potentially triggering IRS inquiries and audits. One example is deducting the cost of street clothing. For clothing, only the cost of uniforms or protective clothing is allowed as a deduction.

Another example is deducting lost income:

- For time you spend repairing or maintaining your own equipment,
- As a result of a deadhead, or
- Because of downtime.

Lost income is already accounted for, as you do not have to report the income on your tax return in the first place.

If you have any questions related to trucking and taxes, please call. This office is knowledgeable regarding the drivers' and owner-operators' tax issues, and are here to help you eliminate the stress of accounting and tax filing.