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From The Tax Experts  
At ALG Tax Solutions

## USING THE STANDARD MILEAGE RATE AS A TAX DEDUCTION

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# Mileage as a Tax Deduction

## *Did you know...*

You can get an IRS tax deduction if you use your car for business, medical, or charitable miles.

If your employer requires you to use your own car for travel, Federal tax law allows you to claim a deduction for the business mileage if you're not reimbursed for the expense.

**1.** You can deduct your vehicle's entire cost of operation if you use your car in your job or business and only for that purpose. — Contact ALG Tax Solutions for limits.

**2.** If you use your car for both business and personal purposes, you may deduct only the cost of its business use.



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# Calculating Work Related Mileage

There are two methods for calculating your mileage expenses if you use your vehicle for work purposes.

## 1 – Actual Expenses

If you don't mind keeping receipts and paperwork, you can calculate your deduction using Actual Expenses including depreciation, licenses, gas, oil, payments, insurance, registration fees, repairs, tires, and more. Your deduction is based on your business use percentage, which is your business miles as a percentage of your total miles.

## 2 – Standard Mileage Rate

The second method for calculating work related mileage is to multiply the miles you drive for work by the Internal Revenue Service Standard Mileage Rate. This rate changes every year.



# TAX HELP:

Car expenses for parking fees and tolls attributable to business use are separately deductible, whether you use the standard mileage rate or actual expenses.





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# STANDARD MILEAGE RATE

## Choosing the Standard Mileage Rate

Standard Mileage Rate – The Standard Mileage Rate for 2022 is .585 cents per mile, down from the 2016 rate of 54.0 cents per mile.

If you choose to use the standard mileage rate method, you must do so by the due date (including extensions) of your tax return. You cannot revoke the choice. However, in later years, you can switch from the standard mileage rate to the actual expenses method.

Unlike the Actual Expense method, if you use the standard mileage rate for a year, you cannot deduct actual car expenses for that year including depreciation, lease payments, maintenance, repairs, gas, oil, insurance, or vehicle registration fees.



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# Choosing the Standard Mileage Rate

## *The First Year*

If you want to use the standard mileage rate, you must choose to use it in the first year the car is available for use in your business. In later years, you can choose to use either the standard mileage rate or actual expenses.

If you did not use the standard mileage rate the first year the car was available for business use, you cannot use the standard mileage rate to claim unreimbursed employee business expenses for any other year that vehicle is used for business purposes. However, you are still able to use actual expenses.



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## When You're Unable to Use the Standard Mileage Rate

You cannot use the standard mileage rate if you:

- Use five or more cars at the same time (such as in fleet operations)
- Claimed a depreciation deduction for the car using any method other than straight line
- Claimed a Section 179 deduction on the car
- Claimed the special depreciation allowance on the car
- Claimed actual car expenses after 1997 for a car you leased
- Are a rural mail carrier who received a qualified reimbursement

## “Car” Defined<sup>1</sup>

The IRS defines “car” as including a van, pickup, or panel truck.

## Leased Vehicles<sup>1</sup>

If you want to use the standard mileage rate for a car you lease, you must use it for the entire lease period.

1 – IRS Publication 463



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# BUSINESS TRAVEL

## What Type of Business Travel is Allowable?

The IRS outlines specific rules for the types of business driving that is eligible for a mileage deduction.

As an employee, or as a business owner, your daily commute from your home to your permanent work location does not qualify for a business mileage deduction. However, if your home office is your permanent work location, any driving for a business purpose is eligible for a mileage deduction.

## AUDIT PREVENTION:

It is a red flag for an audit if your mileage looks rounded. For example, if you drove 5,439 miles, and your return states that you drove 5,500, the IRS may think you have estimated the mileage instead of keeping a log. This can increase your likelihood of getting audited.



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# What Type of Business Travel is Allowable?

## *What additional business travel is allowable?*

1. If you need to travel to a second company location that is not your primary office, you may be able to deduct your mileage costs for travel from your primary office to other locations.
2. Travel to and from business conferences, off-site meetings, and business-related events, including lunches or dinners with current or prospective customers.
3. Travel to visit customers.
4. Travel to run business-related errands, such as obtaining supplies, getting mail from your Post Office box, or getting documents notarized.
5. If your residence is your principal place of business and you incur expenses going between your residence and another work location in the same trade or business (regardless of whether the work is temporary or permanent and regardless of the distance).



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# PROOF

## Got Proof?

### *You cannot estimate mileage.*

If you estimate your mileage, and you are audited, the IRS will disallow your deduction.

#### 26 US Code Section 274(d)

States there are four items requiring evidence to be able to take the expense deduction. Mileage is one of the four. You are allowed this deduction only if proven by adequate records or by sufficient evidence supporting your own statement, including:

1. The amount of such expense or other item
2. The time and place of the travel, entertainment, amusement, recreation; or the use of the vehicle or property; or the date and description of the gift
3. The business purpose of the expense or other item
4. The business relationship to the taxpayer of persons entertained, using the facility or property, or receiving the gift

If you keep timely and accurate records, you will have proof to show the IRS if your tax return is ever examined. In general, you must prepare a written record for it to be considered adequate.

- According to the IRS, written evidence is more reliable than oral evidence alone.
- A record entered into a computer is considered an adequate record.

## PUBLICATION 463

Transportation expenses do not include expenses you have while traveling away from home overnight. Those expenses are travel expenses. However, if you use your car while traveling away from home overnight, use the same mileage rules to figure your car expense deduction.



# Mileage Log Template

Date	Business Purpose	Destination Location	Miles

Write the mileage directly between your starting location and ending location, or write the starting and ending odometer reading. Tip: There are several apps that can be used to track this information.



Legalese –

Section 1.274-5(j)(2), Income Tax Regs., provides that the strict substantiation requirements of section 274(d) for vehicle expenses must be met even where the optional standard mileage rate is used. Moreover, the Court may not use the rule established in *Cohan v. Commissioner*, 39 F.2d at 543-544, to estimate expenses covered by section 274(d). *Sanford v. Commissioner*, 50 T.C. at 827; sec. 1.274-5T(a), Temporary Income Tax Regs., *supra*.



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