

## TaxMinimiser<sup>®</sup> Instructions for Vehicle Mileage and Expense Record Envelopes

Whether you buy or lease your vehicles, if you drive them for both personal-use and business-use, the IRS requires you to select ONE of the following 2 recordkeeping methods to write off the business-use portion of your vehicles. Each vehicle may individually use either of these 2 methods:

The “**STANDARD MILEAGE METHOD**” with 2 tracking options: 1) Track mileage daily all year = your annual totals. **OR** 2) Track any average “90-day period” X 4 = annual totals.

The “**ACTUAL EXPENSE METHOD**” by recording all vehicle operating expenses all year, then multiplying those totals by the mileage “business-use percentage” (“BUP” explained below).

These 12 Vehicle Mileage & Expense Record envelopes allow you to record both MILEAGE and EXPENSES at the same time, and store the receipts! However, only ONE method may be used on your tax forms at tax time. So the first year, you might want to track BOTH business mileage AND business vehicle expenses simultaneously. Then your tax pro can help you decide which method allows you the greater deduction, which you must stick with in following years because you can't flip back and forth. Keep one of these 12 vehicle envelopes in each of your vehicles that you use part-time for business-use. No matter who is driving the vehicle, they can record accurate mileage OR expenses (and put the receipts in the envelope pocket for documentation).

No tax deduction for mileage OR vehicle expenses will be allowed by the IRS without adequate records to document the business-use of a vehicle, preferably in the form of a daily log such as this one. Although your vehicle can be one of your biggest tax write-offs every year, unfortunately vehicle recordkeeping is usually the area of greatest neglect among business owners and self-employed entrepreneurs. However, these 12 versatile envelopes will allow you to easily track all possible categories of vehicle deductions:

### 1) **STANDARD MILEAGE METHOD—**

Fill in the columns for Date, Destination, Primary Purpose of Trip (**who, what, why**), & the Trip Mileage. It also allows **tracking separate mileage or expenses for up to 3 separate businesses**, using the **BIZ #** column.

**BUSINESS MILES:** 50.0¢ per mile for 2010

#### **NON-BUSINESS MILES:**

- Moving (MV):** 16.5¢ per mile in 2010 (moving/relocating to a new job location)
- Medical (MD):** 16.5¢ per mile in 2010 (going to and from medical appointments)
- Charitable (CH):** 14.0¢ per mile in 2010 (for church volunteering, scout leaders, non-profits, etc.)
- Commuting (CM):** 0¢ per mile always (driving from home to your W-2 job and back)
- Personal (PR):** 0¢ per mile always (shopping, running errands, vacations, everything else)

Each year you are required to record the odometer reading for each business vehicle on January 1st and December 31st. These numbers can be recorded on the first and last envelopes used each year for each vehicle, by writing it in the “Vehicle Information” box found in the upper right-hand corner. In a tax audit, this helps document that the business mileage you are claiming that year makes mathematical sense. If you want easy documentation for BOTH of these odometer readings, simply get your oil changed on December 31st each year. The sales receipt will record your ENDING ODOMETER reading on the last day of the year, which can also serve as the BEGINNING ODOMETER reading for the first day of the New Year!

You'll notice two columns for “Beginning Odometer” reading and “Ending Odometer” reading are provided for each trip under the sub-heading for BUSINESS MILES. The IRS no longer officially requires you to record these odometer readings for every trip. (Remember, they only officially require these on January 1st and December 31st.) However some people still like to record these for every trip (including personal and

commuting miles) while doing the average “90-day Period” method for tracking every mile they drive—then multiplying each mileage category X 4 to obtain the annual mileage totals for their tax pros.

NOTE—There are two uniquely special categories you may deduct under EITHER the Standard Mileage Method OR the Actual Expense Method: While on business, you can deduct 100% of bridge tolls, road tolls, and parking fees as a business vehicle expense even if you are using the “Standard Mileage Method”! You may also deduct the business-use % (BUP) of the interest paid on your vehicle loans! So be sure to save the receipts in the pocket envelopes!

**2) ACTUAL EXPENSE METHOD** — If you choose the “Actual Expense Method” of business vehicle record keeping, simply record ALL vehicle operating expenses in the far right-hand column (and use the left-hand columns to write in the “Date” of each expense, which “BIZ #” you are assigning each expense to, and add more details in the unused mileage column spaces if you wish). These expenses can include warranties, gas, oil changes & lube, new tires, wheel balancing, front end alignment, car washes & detailing, tune ups, new batteries, repairs & maintenance, car insurance & deductibles, AAA or other road hazard insurance, emergency road supplies, license & registration fees, vehicle supplies & accessories, the cost of garaging your vehicle, and payments for LEASING a business vehicle plus all the same operating expenses noted here.

You can also deduct an amount each year for DEPRECIATION expense, including Section 179 possibilities for qualifying vehicles, but let your tax pro handle that for you because it can get pretty complex. (Depreciation and expenses are already factored into the Standard Mileage Method for those who choose that method instead).

**“BUP” NOTE**—Tracking your business mileage is the only way to determine what “business-use percentage” (BUP) of vehicle expenses can be written off as a business deduction. EXAMPLE: If your annual “beginning and ending odometer readings” show that your vehicle traveled 20,000 miles this year, and your Vehicle Mileage Records prove that 16,000 of those miles were business miles—that equals 80%. So in this example you would multiply all of your Actual Vehicle Expenses for the year by 80% to get the annual business-use expense totals for your tax forms.

**This is just a summary of vehicle record keeping details to keep in mind, so you can give the best possible records to your tax pros each year. This will help them do a better job for you in maximizing your business deductions, so you can legally minimize your taxes every year! For more information, see "Home Business Tax Savings, *Made Easy!*" by Dr. Ron Mueller, available by visiting [www.HomeBusinessTaxSavings.com](http://www.HomeBusinessTaxSavings.com).**