

VEHICLE DEDUCTIONS

If you use your vehicle for self-employment, rental, or unreimbursed employment* purposes, you may be able to receive a deduction for your expenses. If you have claimed a mileage deduction recently, look for relevant pages in your organizer to help assemble the needed information. Attached is a blank worksheet if this is a new factor in your tax situation.

There are two possible ways to claim a mileage deduction – Standard Mileage or Actual Expense. What follows is intended to clarify which information is necessary depending on the type of deduction you will claim.

Standard Mileage Deduction

- A. Make/Model/Year of Vehicle
- B. Total number of miles driven on it during 2023
- C. Number of business/rental/work miles in 2023 (by activity). **The standard mileage rate changed on July 1, 2023. Therefore, you will need to specify the business/rental/work portion driven before and after this date.**
- D. Number of commuting miles during 2023 (Commuting is the routine round trip between home and your place of work, which is not deductible).
- E. Amount paid to license the vehicle (if possible, provide the copy of the registration that includes taxes & fees).
- F. Amount of interest paid on an auto loan (if applicable)
- G. The date the car was placed in business service AND its fair market value at that time

Actual Expense

- A. Make/Model/Year of Vehicle
- B. Total number of miles driven on it during 2023
- C. Number of business/rental/work miles in 2023 (by activity)
- D. Number of commuting miles during 2023 (Commuting is the routine round trip between home and your place of work, which is not deductible).
- E. Amount paid to license the vehicle (if possible, provide the copy of the registration that includes taxes & fees).
- F. Amount of interest paid on an auto loan (if applicable)
- G. The date the car was placed in business service AND its value at that time
- H. Vehicle operating expenses during 2023 including:
 - gasoline
 - oil change costs
 - repairs and maintenance
 - insurance
 - miscellaneous (car wash, AAA membership, etc.)
- I. Vehicle lease payments during 2023 (if applicable)

The Actual Expense deduction requires greater recordkeeping and time, but may result in a larger deduction, especially if you have a newer car, lease your vehicle and/or drive a low number of miles of which a high proportion are work related. You may choose to provide only the information needed to take the Standard Deduction.

If you would like to retain the option to compare the two methods each year, you MUST use the Standard Deduction the first year that vehicle appears on your tax return

A few tips when considering taking a mileage deduction:

- If you use multiple cars for work and/or have multiple sources of self-employment income, all of the information listed above must be broken down to the specific vehicle for the specific activity. This also applies if you start using a different vehicle part way through the year; the details need to be specific to each vehicle, and the date of the switch is an important piece of information.
- When choosing between the two reporting options, the standard mileage deduction is a prudent choice for many taxpayers. The onus of record-keeping is much lower, which means there is less time involved for both you the taxpayer and (often) billable time for tax prep at Lotts.

You are expected to have contemporaneous documentation to support either type of mileage deduction. This includes a mileage log and relevant receipts/statements.

* Unreimbursed expenses incurred as an employee are no longer deductible on the Federal tax return. However, they may be considered a possible deduction for Minnesota and other states.