

# 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 2025
- C. Number of business/rental/work miles in 2025 (by activity).
- D. Number of commuting miles during 2025 (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
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- 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 2025 including:
  - gasoline
  - oil change costs
  - repairs and maintenance
  - insurance
  - miscellaneous (car wash, AAA membership, etc.)
- I. Vehicle lease payments during 2025 (if applicable)

## Actual Expense

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 Lottsa.

**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 not deductible on the Federal tax return. However, they may be considered a possible deduction for Minnesota and other states.