

Vehicle Expenses – Actual Cost Method

What is required

When you use the actual cost method of determining your vehicle deduction, you must keep track of the actual amount of your costs during the year to calculate your deductible vehicle expenses. The amount of your deduction depends, to a large extent, on how good you are at saving receipts and jotting down your costs throughout the year.

The cost of operating a vehicle includes these expenses:

- Cleaning, inside and out; waxing
- Depreciation, if you own the vehicle
- Gas and oil
- Insurance
- Interest on a vehicle loan
- Lease payments, if you lease the vehicle
- License fees, if substantially based on the value of the vehicle
- Motor club membership
- Parking and garage rental
- Personal property taxes
- Tires and supplies
- Tolls
- Maintenance and repair

Business Use Percentage

If, like most business owners, you use a vehicle partly for business and partly for personal purposes, you won't be able to deduct all of your actual auto expenses. Instead, you'll need to add up the expenses for the year and deduct a percentage of them that corresponds to your business use percentage of the car.

*This information should be used as a guideline. Specific questions regarding this "Biz Facts" should be directed to a Business by Design tax professional.