

Deductible or Not?

Vehicles



2008 NATP-MI Fall Seminar

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#1 – Standard Mileage Rate Mid Year Change

50.5¢ - 1/1/08 to 6/30/08

58.5¢ - 7/1/08 to 12/31/08

Must use actual mileage from log

IR-2008-28

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#2 – Other Deductions Owned Vehicle

Business % deductible in addition to standard mileage rate

Interest

Personal Property Tax

Parking & Tolls

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Switch from Standard to Actual?

As long as only S/L depreciation claimed

Can switch back – from actual to standard

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#3 – Standard Mileage Rate on Leased Vehicle

Standard mileage rate allowable

No other deductions

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Reduce Standard Mileage Rate by lease income inclusion?

NO

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Switch from Standard to Actual?

YES – once actual claimed cannot switch back to standard

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Early Termination Fee?

Business percent deductible

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Excess Mileage Fee?

Business percent deductible

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#4 – Taxi Standard Mileage Rate

Not allowed – vehicle for hire

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#5 – Mileage to Temporary Job Location

Deductible – temporary job in local area and has regular business location

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#6 – Standard Mileage Rate on 15 YO vehicle

Allowable – no limitation

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#7 – Minister Mileage to Church

Not deductible – considered
commuting

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#8 – Mileage when office in home

Only business mileage deductible

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#9 – No Mileage Log

Can use “Cohan” rule to reconstruct
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#10 – No Mileage Log Form 4562 Questions

Must answer “NO” for records
Form 4562 Instructions
Circular 230

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#11 - What is necessary for proper mileage log?

- Make & model of vehicle
- GVW
- Date & evidence of purchase (including cost)
- Date first used for business
- Odometer readings each 1/1 & 12/31
- Log of mileage, date, purpose & odometer readings
- Which vehicle used, if more than one in same log book



#12 – Five Vehicles Standard Mileage Rate

No more than four used at same time
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#13 – Painted on Advertising

Does not change personal use to business use

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#14 – Business Portion of Interest Expense

Only business percent deductible

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#15 – Claim Section 179 then switch to standard

Not allowed

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#17 – Farmer No Mileage Log

Can deduct 75% WITHOUT a log

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#18 – Reporting trade-in of business vehicle

File Form 8824 – Like-Kind Exchanges

Basis of old vehicle

Plus boot paid

Equals basis of new vehicle

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#19 – Required records for personal use by employee

Form 4562 – answer additional questions

Employee log for personal use

Value of personal use on W-2

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#20 – Flat Monthly Car Allowance

Not allowed – must have accountable plan

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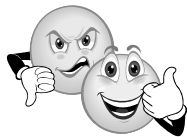


#21 – Actual Expenses 76% to 42% Business Use

Recapture MACRS to S/L back to day one

Code Section 280(f)

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#22 – Section 179 on Vehicle

WHY????

Still limited by 280(f) or SUV rules
Code Section 280(f)

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#23 – Standard Mileage Rate on Employer Provided Vehicle

Not allowed – can only deduct actual expenses

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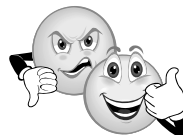
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#24 – Credit on Hybrid Toyota

None – over 60,000 limit
IR-2007-186

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#25 – Charitable Vehicle Donation

\$500 Deductible on Schedule A
Form 1098-C Instructions

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#26 – Credit on trade-in

Treat “trade-in” as sale
Disposition of asset
Amortize “credit” as up front lease
payment

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#27 – New Car Sales Person

Tax free fringe benefit – if qualified
demonstration vehicle

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#28 – Charitable Business Mileage

Must use charitable mileage rate
14 cents per mile – all of 2008

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#29 - Computations when standard mileage rate vehicle sold ?

$$\frac{\text{Total business miles all years}}{\text{Total miles all years}} = \text{bus \%}$$

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#30 – Rural Mail Carrier

Reimbursement in excess of standard
mileage rate – not income
Can deduct excess expenses

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#31 – Mileage records do not jive

Recompute business percent using
actual miles

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