

Title:

How To Drive The Irs Crazy

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600

Summary:

Looking for an easy way to increase your business deductions? Look no further than your driven

First, the general rule: your vehicle is deductible to the extent you use it for business.

So, if you drive your car 100% for business, all car-related expenses are deductible.

But if you use it less than 100% for business, do not despair. Less-than-100% use is very typi

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Article Body:

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For example, if you drive your car 75% for business, then you get to deduct 75% of your vehicl

Now to the fun part.

There are two methods for reporting your car expenses:

1. Actual Expense Method
2. Mileage Method

With the Actual Expense Method, you have to keep track of all your vehicle related expenses, s

- gasoline
- oil
- maintenance & repairs
- insurance
- license & registration
- wash & wax
- supplies & equipment
- depreciation expense (including Section 179 deduction)
- lease payments
- loan interest
- state and local taxes

So you add up all those deductions and multiply the total by your business use percentage, whi

The Mileage Method works like this: instead of tracking all the actual expenses listed above, only need the number of business miles driven, which is multiplied by the standard mileage rat

For 2003 the mileage rate was 36 cents per mile.

For 2004 the mileage rate was 37.5 cents per mile.

For 2005 there are two mileage rates: 40.5 cents/mile

from January 1 through August 31, and 48.5 cents/mile
from September 1 through December 31.
For 2006 the mileage rate is 44.5 cents per mile.

If you drove your car 10,000 miles in 2005, your deduction is at least \$4,000 (depending on ho

NOTE: There are 2 actual expenses that are also deductible under the Mileage Method -- interes

Now for the obvious question: Which method is better?

Well, here's how I look at it. If you want to get the highest deduction, you should "run the m

You are allowed to pick whichever method you want.

But once you pick a method, be careful to follow the rules on "switching" from one method to t

Having said that, let's be practical. If you hate recordkeeping, use the Mileage Method. It's

Even the Mileage Method requires some recordkeeping, however. You should keep a log that docum

1. Daily Log. Yep, you just record all business miles for all 365 days of the year.

2. 90-Day Log. Here's a little-known rule -- instead of keeping mileage records for the entire

So you would keep a Daily Log for a 3-month period, say January through March. To get your ann

3. One-week Log. Here's another short-cut: The IRS also allows you to keep a log for just the

Regardless of which method you use, there's a goldmine of deductions sitting right there in th

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