

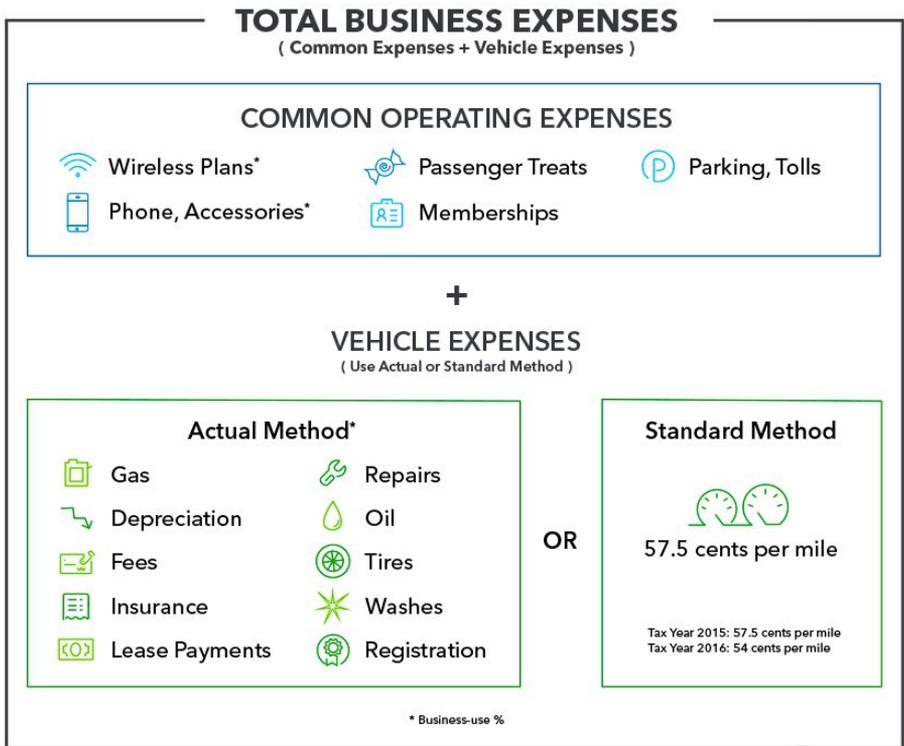
# Guide to Vehicle Deductions:

## Standard Mileage vs. Actual Cost Method

If you have a job that requires you to travel a lot by car, you can deduct your business expenses to lower your tax burden at year end.

To claim these expenses as deductions, you can use either the Standard Mileage method or Actual Expenses method.

Compare the basics of each method below to see which one might provide you the biggest tax benefit.



## ***'Standard Mileage' Method***

The simplest method for calculating your vehicle-related deductions is to use the standard mileage deduction. For tax year 2015, this was \$0.575 per mile.

Using this method, you are eligible to count any miles you drive for business-related purposes, but cannot deduct any other expenses related to your car.

In order to claim this deduction, you need to keep a detailed mileage log. This should include the date, start and end times, purpose of the trip, and beginning and ending odometer readings. Mileage and expense-tracking tools like QuickBooks Self-Employed can help you maximize this amount because they are more comprehensive.

## ***'Actual Cost' Method***

When deducting actual expenses, you can only deduct the portion associated with your self-employed work (e.g., if half of your \$100 cell phone bill is used for work, you may deduct \$50). Some of the items you can include in your deduction are: auto loan interest, insurance, maintenance and repairs, gas and depreciation.

NOTE: If you use this method for the first year that your vehicle is in service, you will not be able to switch to the standard method later. If you think that you might drive more in the future, you may want to take the standard method to keep your options open.

## ***Which Method is best?***

That depends. If you drive more than 10,000 miles per year, you will likely get the highest deduction by using the Standard Mileage method. However, if you drive less, you may be overpaying your taxes by not considering the Actual Cost method. The best way to find out is to consult your tax accountant. You can also try both and then choose the one that yields the higher deduction.

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