

# Memo

**To:** 2016 Clients  
**From:** Krista Piwonka, CPA  
**Date:** December 20, 2016  
**Re:** Business Miles

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It is that time of year to start making sure that those business miles are recorded. To assist you (and in effect me), I've compiled the following worksheet to be returned to me in order to record your deductible business miles:

Vehicle –

Year: \_\_\_\_\_ Make: \_\_\_\_\_ Model: \_\_\_\_\_

Odometer 1/1/2016: \_\_\_\_\_

Odometer 12/31/2016: \_\_\_\_\_

Total 2016 Miles: \_\_\_\_\_ (Difference of 1/1 to 12/31)

Now, we need to allocate the "Total 2016 Miles":

Total Business Miles Driven: \_\_\_\_\_

Total Commuting Miles Driven: \_\_\_\_\_

Total Personal Miles Driven: \_\_\_\_\_

I, \_\_\_\_\_, filled out the above form based on information I have written down in my 2016 travel log. Furthermore, I testify that the above business miles meet the required/standards listed in the IRS Pub. 463, *Travel, Entertainment, Gift, and Car Expenses*.

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Signature

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Date

# **2016 Supplemental Information Regarding the Business Mileage Deduction**

## **Definitions:**

**Business Miles:** miles driven for a business purposes that are not considered commuting miles. i.e.: Driving to the bank, supply shop, customer, etc.

**Commuting Miles:** non-tax deductible miles driven from a residence to the main business location

**\*Note:** If your business requires you to drive to a “site” in order to do your primary job function (i.e. construction, sales, delivery, cleaning, social workers, etc.) the mileage from your house to that first “site” of the day = commuting and the mileage from that last “site” home = commuting. The IRS doesn’t care that that first job is 50+ miles from your house. It is their position that *you are choosing to drive that far for the work*. Same situation for someone who *chooses* to live in McHenry and is an employee in Chicago...their commute is HUGE in time and expenses (gas, tolls, parking, etc.), but those factors do not change the type of miles from commuting to deductible business miles.

**Personal Miles:** any miles that are not business or commuting miles

**2016 Mileage Information:** \$0.54 per mile

## **Travel Log:**

Make sure you keep a travel log for all the miles you want to claim on your tax return. The log should indicate the date, one way or round trip mileage, where you were going, and the reason for the trip. Failure to keep such a log could result in the IRS denying all your claimed mileage deduction, meaning additional taxes owed, penalties, and interest.

## **Deducting a Vehicle:**

**Sole Proprietors:** If you drive a vehicle more than 50% of the time for business (NOT including commuting), you may want to take the actual expenses of the vehicle (gas, oil changes, repairs, depreciation, etc.) instead of the standard mileage deduction. You calculate usage by taking the business miles and dividing them by the total miles for the year. (Note: Should your usage be under 50%, you are required to use the standard mileage rate.)

**Partners, Members, Shareholders:** If your vehicle is used more than 50% of the time for business, you may want to take the actual expenses (gas, oil changes, repairs, depreciation, etc.) instead of the standard deduction. In order to do so, the vehicle’s titles & insurance policies have to be in the name of your business. Additionally, commuting & personal miles are still non-business use and as such are classified as a taxable “fringe benefit”. The value of the “fringe benefit” will need to be added to the owners’ wages/guaranteed payments subject to taxes (income, Social Security, & Medicare) for each year.

Note: Once a vehicle is put into service and the deduction method selected, it is pretty much set for the life of the vehicle. Meaning, you can't switch back & forth year after year between the Standard and Actual methods. There are reasons to switch when usage falls below 50%, but that should be the exception rather than the rule.