



Let the Cost of Driving Your Car Reduce Your Taxes

When a vehicle is used for business purposes. The business has two options when it comes to expensing the automobile.

1. The business can expense all of the costs of the vehicle that were incurred by the business. This includes lease payments, gas, tires, oil changes, etc.

or

2. The business can expense the number of miles driven. This is done by multiplying the number of miles driven by the predetermined IRS mileage rate. For 2008, the mileage rate was 50.5 cents per mile for the first half of the year and 58 cents per mile for the second half of the year. In 2009, the rate has been adjusted for an average rate of 55 cents per mile. This second method is usually easier to keep track of and often allows for more expense.

So you might be asking yourself how does this affect me? Well let me explain. Let us assume that you own a little business, this could mean anything, from renting properties to selling Avon. You can increase the expenses on your tax return by showing auto expenses incurred in the act of conducting business and thus decrease your taxable income.

All you have to do is keep track of the miles that you drive when conducting activities for your business. Then multiply these miles by the allotted mileage rate for the appropriate year and show the expense on the appropriate form of your tax return. If your car is used a lot in the business these expenses can add up to thousands of dollars and save you thousands as well.

If this tax strategy is of interest to you or you are interested in any other tax planning strategies, please feel free to call The Ruboyianes Company.