

Business Use of Your Personal Vehicles

Another of the potentially large deductible self employed business expenses is the business use of their personal passenger vehicles.

There are basically two ways to calculate this. Calculate the deduction both ways the first year to see which one will give you the biggest deduction. For either method, you must keep a log of your business mileage to substantiate the deductions.

Method 1: Standard Mileage Deduction

The standard business mileage deduction for 2010 is \$.50/mile. (Beginning Jan 2011, the rate is \$.51/mile, but be sure to check for mid-year changes) If your business is home-based, then virtually all business mileage is deductible. If your business is not home based, then you may not take a deduction for the mileage from your home to your principal place of business. Any other business related mileage should be deductible. This includes mileage to pick up supplies, to do your business banking, to make deliveries, to visit customers or potential customers, to the post office, to meet with the accountant or attorney, and to stores or business suppliers.

___ Standard mile deduction ___ miles x \$ ___ per mile = \$___

Method 2: Actual Vehicle Expenses

This is based on the percentage of business use of your vehicle. For example, if you drove a total of 10,000 miles in 2011 and 2000 of those were deductible business miles, then 20% of the vehicle expenses are deductible.

This will include:

- ___ Depreciation of the purchase cost of the vehicle
- ___ Insurance
- ___ Interest
- ___ Auto license plate fees and taxes
- ___ Oil changes and other regular maintenance
- ___ Car washes
- ___ Gasoline or other fuel
- ___ Repairs - these may need to be depreciated. Check with your accountant.

Other Potential Self Employed Expenses

- ___ Advertising
- ___ Commissions paid
- ___ Contract Labor
- ___ Interest on a business loan

- Parking and tolls for business travel
- Equipment purchases - these usually are depreciated or expensed with a Sec 179 deduction
- Accounting and legal fees for the business
- Health insurance premiums - special rules apply. (Deduct on the front of Form 1040.)
- Office Supplies
- Business liability insurance
- Rent of business equipment
- Rent or lease of storage facilities
- Rent or lease of business space
- Maintenance and repairs of equipment or business space
- Shop supplies
- Business property taxes
- Business travel - hotel, parking, air and bus fares, taxis
- Internet service (percentage of business use)
- Web site hosting, design, and domain names
- Cell Phones (percentage of business use)
- Telephone - the first line coming into a home is usually not deductible, even if it is used for business. However, if you add on services for the business, such as call waiting or distinctive ring tones, these may be deductible. A second line for business or a business fax machine is deductible.
- Long distance phone charges and phone cards for business calls
- Books, newspapers, magazines for business purposes
- Association and membership fees
- Meals and entertainment (these are usually only 50% deductible)
- Utilities - Electric, heat
- Cost of inventory items that sold (do not include unsold inventory)
- Donated inventory - check with your accountant for special rules
- Merchant fees for your credit card sales
- Bank service charges on your business accounts
- Depreciation on the cost of furniture and equipment that you owned before you started the business, such as desks, computers, file cabinets. - check with your accountant
- Answering services
- Postage and shipping
- Education and seminars - must be related to your current business, not for a new career
- Customer gifts
- Software purchases
- Software subscriptions, such as security software