

## R.12

# Special Rules for Business Use of Vehicle

There are two methods for calculating vehicle-related deductions: Actual and Mileage.

1. The Actual Method allows you to take a depreciation deduction to recover the cost of the vehicle and to deduct all fuel and maintenance expenses - but you have to keep records of all the miles driven showing the business purpose of the trip AND you must also keep all of the receipts for fuel and maintenance.
2. The Mileage Method allows you to calculate your deduction by multiplying the IRS mileage rate (published at least annually) by the business miles driven.

Under either method you need a written record of the miles you drove showing date, miles driven, where you went, and most importantly WHY it was a business-related trip.

You can switch from Mileage to Actual but you can not switch from Actual to Mileage.

You may deduct tolls and parking separately in addition to vehicle expenses.

You can have a situation where you use both methods, but for different vehicles:

- You use the Actual Method for a vehicle that is owned by the Farm/Ranch and used primarily in that operation (but perhaps sometimes for personal use)
- You use the Mileage Method for a vehicle that is owned by you personally (and sometimes used for business).

The Actual Method farm/ranch vehicle is treated as a farm/ranch asset and depreciated along with other farm/ranch equipment and all fuel and maintenance expenses are reported with other equipment fuel and maintenance expenses.

If the vehicle is occasionally used for non-business purposes the owner is supposed to keep a record of the non-business mileage and calculate the percent of business to non-business use and reduce their total business deduction by the value of the personal use.

For a personal vehicle that is sometimes used for business (for example, driving to town to visit with your CPA and buy office supplies) people typically use the Mileage Method. The owner must keep a record of the business miles driven and may take a deduction for those miles using the Mileage Method

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