

A Better Tax Deduction For Your Business Vehicle

By Charles Clar

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This feature deals with USA tax laws and how you can use them to your advantage. It is made available on a more or less biweekly basis.

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IRS just announced higher mileage allowances for taxpayers who use their vehicles for business purposes, job related moves, and/or medical transportation.

The standard mileage rate for business use moves to 36.5 cents in 2002, up from 34.5 cents this year.

The mileage rate for medical transportation and job related moves goes to 13 cents from the current level of 12 cents.

The mileage rate for volunteer charity work remains at 14 cents.

Every year IRS adjusts the business, job and medical mileage rates to reflect actual automobile operating costs. The charitable rate is set by Congress.

Individuals who use their cars for business travel usually have the option of deducting actual expenses or using the standard mileage allowance, plus parking and tolls.

A previous issue of TTT, Writing Off The Business Use Of Your Vehicle, explores this subject in great detail. It is archived at Yahoo Groups for list members.

Now more than ever, it makes economic sense to compute the vehicle writeoff using both methods and, if permitted, to use the one yielding the better writeoff.

The increase in the business mileage rate primarily benefits self employed individuals who use the

standard rate to compute the vehicle deduction.

The IRS mileage allowance rate, however, also serves as an important benchmark for private industry. Many companies use this rate to calculate how much to reimburse employees for job related use of personal vehicles.

Employees who are reimbursed for vehicle expenses at a rate less than the IRS mileage allowance are eligible to deduct the difference as an employee business expense, subject to certain minimums.

As always, PLEASE make sure you read and understand the fine print. It wouldn't be taxes in America otherwise!

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