

Tax Tidbit #1: How To Turn Non-Deductible Commuting Mileage Into A Legitimate Business Expense

By Wayne M. Davies

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Tax Tidbit #1: How To Turn Non-Deductible Commuting Mileage Into A Legitimate Business Expense <http://www.YouSaveOnTaxes.com/toolkit.html>

Tax Tidbits:
Presented by Wayne M. Davies of www.YouSaveOnTaxes.com .

Short but sweet nuggets for the Small Biz Owner and/or Self-Employed Person, each morsel serving up a specific tax reduction strategy guaranteed to tickle your monetary taste-buds.

The U.S. Tax Code is so big, there's only one way to digest it: one little nibble at a time.

Just like a piece of candy, one small bite of tax knowledge can give you one very delicious deduction!

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Tax Tidbit #1:
How To Turn Non-Deductible Commuting Mileage Into A Deductible Business Expense

-- by Wayne M. Davies

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For most folks, commuting mileage is a non-deductible expense -- unless you know the little tax trick I'm about to reveal.

The non-deductibility of commuter miles is painfully true for the employee who fights rush hour traffic every day, twice a day, for 5 to 10 hours a week.

All that hassle, and what does he have to show for it? Just gas money down the drain, not to mention the wear and tear on both his vehicle and his stress-o-meter.

You can deduct virtually all your mileage, including the miles you log from your home to the office or other place of business, if you meet the following two criteria:

1. You are a small business owner or self-employed person, and
2. You have two offices or work locations: one outside the home (Office #1) and one inside the home (Office #2).

Having two offices is very common for today's self-employed professional. The store owner, the shopkeeper, the salesman, the plumber, the consultant -- all these folks are typically self-employed and have two offices: one where they meet with the public (Office #1), the other at home, where they get their paperwork done (Office #2).

Here's how it works:

Every day you get up and "go to work." But you don't get in the car and drive to Office #1 right away. If you did that, even as a self-employed person, you would be racking up non-deductible commuting miles, just like the employee.

Instead, you grab a cup of coffee and head to Office #2 first, which takes all of 30 seconds.

After working in Office #2 for awhile, then you hop in the car and head to Office #1, where you work for the bulk of the day.

Then, when you're done at Office #1, you get back in the car and go "home" -- except when you get inside your house, you don't head for the living room, you go straight to Office #2, where you finish up your daily routine with a few final minutes of paperwork.

What have you just done?

Your daily round-trip "commute" is now a business deduction, due to a simple tax loophole that says:

Any miles driven between two business locations are deductible business miles.

The fact that one of those two locations just happens to be your Home Office is fine and dandy with the IRS.

By following this route each day, you can save hundreds, even thousands of dollars in taxes.

The proof is in the pudding:

Your round-trip "commute" is 20 miles per day.

20 miles X 5 days = 100 miles per week.

100 miles per week X 50 weeks = 5,000 miles per year.

5,000 business miles X .36 cents = \$1,800 deduction

So, you just got yourself a nice \$1,800 deduction -- a deduction that you've probably been entitled to for years but didn't know it.

\$1,800 deduction X 32% income tax rate = \$576 in actual tax savings (27% federal income tax + 5% state income tax)

Five-hundred and seventy-six bucks. . . every year. . .

. . . Hmm, mmm, good! Now that's a tasty little morsel!

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