

Deducting Mileage v. Charging Clients for Mileage

I have a question regarding tax benefits and business use of a vehicle. There may be 1,000 variables that would change the answer to this question, but, generally speaking, which is better for tax purposes (LLC and taxed as individual federally):

(1) Taking the standard mileage deduction for business travel to/from court; or (2) charging clients the federal mileage rate for such travel?

My understanding is that you can do both. Driving to court is a business expense, whether your clients reimburse you or not. If your clients don't reimburse you, it decreases your income, but not your expense.

Paul Hogan, California

Hmm, I read somewhere yesterday (I forget where, and I can't find it now) that if you are reimbursed either via your employer or your client for the mileage, you can't also claim the deduction -- as I recall, the only exception was if your reimbursement is less than the federal rate, you can deduct the difference.

Ryan Phillips, South Carolina

If you are an employee, and you are reimbursed for your mileage, you don't need to show the reimbursement as income. I don't believe the same rule applies to the self employed.

How being the owner of an LLC affects this, I don't know.

Paul Hogan

I would suggest a third option, that of calculating normal local travel into your hourly rate. Travel outside your local area would then be based on how you bill your clients for travel. How or whether you get paid for travel should be delineated from what method you use on the expense side.

With regard to the expense side, comparing vehicle operating costs to the standard deduction should allow you to evaluate which is higher. Of course, some may find recordkeeping easier or harder for mileage vs. expenses, but in order to know which is better you should benchmark it. To my understanding, you cannot switch back and forth, and so should pick a method and consistently use it.

Darrell G. Stewart, Texas
