

Standard Mileage Rate

You may be able to use the standard mileage rate to figure the deductible costs of operating your car for business purposes. For 2009, the standard mileage rate for each mile of business use is 55 cents per mile.

If you use the standard mileage rate for a year, you cannot deduct your actual car expenses for that year, but see [Parking fees and tolls](#), later.

You generally can use the standard mileage rate whether or not you are reimbursed and whether or not any reimbursement is more or less than the amount figured using the standard mileage rate. See [Reimbursements](#) under *How To Report*, later.

Choosing the standard mileage rate. If you want to use the standard mileage rate for a car you own, you must choose to use it in the first year the car is available for use in your business. Then in later years, you can choose to use either the standard mileage rate or actual expenses.

If you want to use the standard mileage rate for a car you lease, you must use it for the entire lease period. For leases that began on or before December 31, 1997, the standard mileage rate must be used for the entire portion of the lease period (including renewals) that is after 1997.

You must make the choice to use the standard mileage rate by the due date (including extensions) of your return. You cannot revoke the choice. However, in a later year, you can switch from the standard mileage rate to the actual expenses method. If you change to the actual expense method in a later year, but before your car is fully depreciated, you have to estimate the remaining useful life of the car and use straight line depreciation.

For more information about depreciation included in the standard mileage rate, see the exception in *Methods of depreciation* under *Depreciation Deduction* in chapter 4 of Publication 463.

Standard mileage rate not allowed. You cannot use the standard mileage rate if you:

- Use the car for hire (such as a taxi),
- Use five or more cars at the same time (as in fleet operations),
- Claimed a depreciation deduction for the car using any method other than straight line depreciation,
- Claimed a section 179 deduction on the car,
- Claimed the special depreciation allowance on the car,
- Claimed actual car expenses after 1997 for a car you leased, or
- Are a rural mail carrier who received a qualified reimbursement. (See [Rural mail carriers](#), earlier.)

Five or more cars. If you own or lease five or more cars that are used for business at the same time, you cannot use the standard mileage rate for the business use of any car. However, you may be able to deduct your actual expenses for operating each of the cars in your business. See *Actual Car Expenses* in chapter 4 of Publication 463 for information on how to figure your deduction.

You are not using five or more cars for business at the same time if you alternate using (use at different times) the cars for business.

Parking fees and tolls. In addition to using the standard mileage rate, you can deduct any business-related parking fees and tolls. (Parking fees that you pay to park your car at your place of work are nondeductible commuting expenses.)

Actual Car Expenses

If you do not use the standard mileage rate, you may be able to deduct your actual car expenses.

If you qualify to use both methods, you may want to figure your deduction both ways to see which gives you a larger deduction.

Actual car expenses include:

Depreciation	Lease	Registration
Garage rent	payments	fees
Gas	Licenses	Repairs
Insurance	Oil	Tires
	Parking fees	Tolls

Business and personal use. If you use your car for both business and personal purposes, you must divide your expenses between business and personal use. You can divide your expense based on the miles driven for each purpose.

Example.

You are a contractor and drive your car 20,000 miles during the year: 12,000 miles for business use and 8,000 miles for personal use. You can claim only 60% ($12,000 \div 20,000$) of the cost of operating your car as a business expense.

Interest on car loans. If you are an employee, you cannot deduct any interest paid on a car loan. This interest is treated as personal interest and is not deductible. However, if you are self-employed and use your car in that business, see chapter 4 of Publication 535.

If you use a home equity loan to purchase your car, you may be able to deduct the interest. See [chapter 23](#) for more information.

Taxes paid on your car. If you are an employee, you can deduct personal property taxes paid on your car if you itemize deductions. Enter the amount paid on line 7 of Schedule A (Form 1040). (See [chapter 22](#) for more information on taxes.) If you are not an employee, see your form instructions for information on how to deduct personal property taxes paid on your car.

Sales taxes. Generally, sales taxes on your car are part of your car's basis and are recovered through depreciation, discussed later. However, to the extent the car is not used in your trade or business, you can choose to deduct the nonbusiness part of the qualified vehicle state or local sales or excise tax on Schedule A (Form 1040), line 7, or the amount included on Schedule L (Form 1040A or Form 1040), as an addition to your standard deduction if you do not itemize your deductions.

Fines and collateral. You cannot deduct fines you pay and forfeited collateral for traffic violations.

Depreciation and section 179 deductions. Generally, the cost of a car, plus sales tax and improvements, is a capital expense. Because the benefits last longer than 1 year, you generally cannot deduct a capital expense. However, you can recover this cost through the section 179 deduction (the deduction allowed by section 179 of the Internal Revenue Code), special depreciation allowance, and depreciation deductions. Depreciation allows you to recover the cost over more than 1 year by deducting part of it each year. The section 179 deduction, special depreciation allowance, and the depreciation deduction are discussed in more detail in chapter 4 of Publication 463.

Generally, there are limits on these deductions. Special rules apply if you use your car 50% or less in your work or business.

Leasing a car. If you lease a car, truck, or van that you use in your business, you can use the standard mileage rate or actual expenses to figure your deductible car expense.

Deductible payments. If you choose to use actual expenses, you can deduct the part of each lease payment that is for the use of the vehicle in your business. You cannot deduct any part of a lease payment that is for personal use of the vehicle, such as commuting.

You must spread any advance payments over the entire lease period. You cannot deduct any payments you make to buy a vehicle, even if the payments are called lease payments.

If you lease a car, truck, or van for 30 days or more, you may have to reduce your lease payment deduction by an “inclusion amount.” For information on reporting lease inclusion amounts, see *Leasing a Car* in chapter 4 of Publication 463.