

Actual Cost Method for Deductions

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| Available to | ANY TAXPAYER using an auto for business, investment, charitable, medical, or job-related moving purposes. See limitations in last column. |
| Method of Computation of Deduction | <p>BUSINESS USE PERCENTAGE (Based on ratio of business to total mileage driven.)</p> <p>APPLIED TO ALL OPERATING AND FIXED EXPENSES—including</p> <ul style="list-style-type: none"> ▪ Maintenance/repairs ▪ Tires ▪ Gasoline/oil ▪ Insurance ▪ Registration fees ▪ Depreciation ▪ Section 179 depreciation |
| Depreciation Method | MACRS, ALTERNATE MACRS (ADS), or AMT MACRS—Cars placed in service for business purposes after 1986. (See Publication 946) |
| Additional Deductible Expenses | <p>Business-related PARKING FEES and TOLLS</p> <p>Nonbusiness percentage of personal property TAXES may be deducted as itemized deduction. Nonbusiness percentage of INTEREST is subject to personal interest limitation.</p> <p>Business percentage of INTEREST and personal property TAXES may be deducted on Schedule C, E, or F by business owners and farmers. However, employees must treat all interest as personal interest.</p> |
| Limitations/Special Situations | <p>BUSINESS-USE PERCENTAGE—Section 179, accelerated depreciation (MACRS), and first-year bonus depreciation deductions not available unless car is used more than 50% for business. If test failed, straight-line depreciation must be used.</p> <p>LUXURY CAR LIMITATIONS—Annual depreciation limited for “luxury” cars.</p> <p>DIFFERENT CARS, SAME BUSINESS—Must use actual cost method for both cars when taxpayer uses five cars simultaneously in the same business.</p> <p>DIFFERENT CARS, DIFFERENT BUSINESSES—May use standard mileage or actual cost method for either or both cars.</p> <p>ONE CAR DISPOSED OF, ANOTHER PURCHASED—May use either standard mileage or actual cost method for replacement car regardless of method used for first car during the same year.</p> <p>SAME CAR USED BY BOTH SPOUSES—May use either standard mileage or actual cost method applied to combined business mileage when husband and wife use same car.</p> <p>SEPARATE CARS/SEPARATE BUSINESSES—May use standard mileage or actual cost method for either or both cars when husband and wife use separate cars in separate businesses.</p> <p>CHARITABLE, MEDICAL, MOVING USE—May deduct actual out-of-pocket costs directly attributable to the intended use. However, no depreciation, insurance, or general repairs and maintenance deductions may be claimed for such use.</p> |