



BALANCED BOOKS

Bookkeeping & Consulting

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Auto Deduction: Mileage vs. Actual Expenses—Which Is Better?

As a business owner, you can deduct vehicle expenses **if you use your car for business purposes**. The IRS allows **two methods** for calculating the deduction:

1. Standard Mileage Deduction (Simpler & Best for Low-Cost Vehicles)

- Deduct a **flat rate per mile** driven for business (IRS rate for 2024: **67 cents per mile**, IRS rate for 2025: **70 cents per mile**).
- Includes fuel, maintenance, insurance, depreciation, and other expenses.
- **Easier record-keeping**—you just need a **mileage log**.

Who Benefits Most?

- ✓ **Small business owners, freelancers, and self-employed individuals**
- ✓ **Vehicles with low operating costs** (good gas mileage, few repairs)
- ✓ **Those who drive a lot for business**

Example Calculation:

- You drive **10,000 business miles** in a year.
- **70 cents per mile × 10,000 miles = \$7,000 deduction.**

2. Actual Expenses Method (Best for High-Cost Vehicles)

- Deducts **actual vehicle expenses** based on **business-use percentage**, including:
 - ✓ Gas & oil
 - ✓ Repairs & maintenance
 - ✓ Insurance
 - ✓ Depreciation (spreading out the cost of the car over time)
 - ✓ Registration fees & licensing
 - ✓ Lease payments (if applicable)
 - ✓ Business parking & tolls
- **More record-keeping required**—must track **total car expenses** and **business-use percentage**.



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Who Benefits Most?

- ✓ **Owners of expensive vehicles** (luxury cars, SUVs, trucks)
- ✓ **Vehicles with high fuel or maintenance costs**
- ✓ **Low-mileage business drivers**

Example Calculation:

- Your total vehicle costs: **\$10,000/year**
- Your car is **used 70% for business**
- **$\$10,000 \times 70\% = \$7,000$ deduction.**

3. Key Differences: Standard Mileage vs. Actual Expenses

Feature	Standard Mileage	Actual Expenses
Calculation Method	Flat rate per mile	Percentage of actual costs
Record-Keeping	Simple (just mileage log)	More detailed (track all expenses)
Best For	High-mileage, low-cost vehicles	Low-mileage, high-cost vehicles
Includes Depreciation?	Yes (built into rate)	Yes (actual depreciation applied)
Can Switch Methods?	Yes (if using mileage first year)	No (if you claim depreciation)

💡 **Important:** If you choose the **standard mileage deduction in the first year**, you **can switch to actual expenses later**. But if you **start with actual expenses** (and claim depreciation), you **must continue using that method**.

4. How to Track Mileage & Expenses

- ✓ **Use a Mileage Tracking App**
 - **MileIQ, Everlance, or QuickBooks Self-Employed** to log trips automatically.
 - Record **date, starting/ending location, purpose, and miles driven**.
- ✓ **Keep Receipts & Records for Actual Expenses**
 - Gas, repairs, insurance, and registration should be **documented & categorized**.



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✔ Separate Business & Personal Use

- If you use the **actual expense method**, calculate **business use %**:
Business miles ÷ Total miles driven = % of expenses deductible.

5. Which Method Saves You More?

- ◆ **If you drive a lot for business**, standard mileage is often **higher**.
- ◆ **If you have high vehicle expenses**, actual expenses may be **better**.
- ◆ **Try both methods before filing** to see which gives the bigger deduction.

💡 **Final Tip:** Keep records for **both methods throughout the year** so you (or your tax preparer) can compare before filing!