

Take Flight

Car, Travel and Other Business Expenses

Car Expenses

To take a business deduction for the use of your car, you must determine what percentage of the vehicle was used for business. No deduction is allowed for strictly personal use, such as commuting.

Deductible car expenses can include the cost of: 1) traveling from one workplace to another; 2) making business trips to visit customers or attend business meetings away from your regular workplace; and 3) traveling to temporary workplaces.

To claim the deduction, keep complete and accurate mileage records. Two methods are available for claiming business car expenses:

Actual Expenses: Add your annual car operating expenses, including gas, oil, tires, repairs, license fees, lease payments, registration fees, garage rental, insurance and depreciation. Multiply the car operating expenses by the percentage of business usage to arrive at your deductible expense. Business-related parking and road tolls are fully deductible expenses that do not have to be reduced by the percentage of business usage.

Standard Mileage Rate: The 2010 standard mileage rates for the use of a car (including vans, pickups, or panel trucks) are on IRS.gov; search: standard mileage rate.

Travel Expenses

Travel expenses are "ordinary and necessary" expenses while away from home for the primary purpose of business. Keep all receipts and relevant documentation to substantiate where you went, why, for how long, and amount spent. If you combined business and personal travel, show how much is related to business.

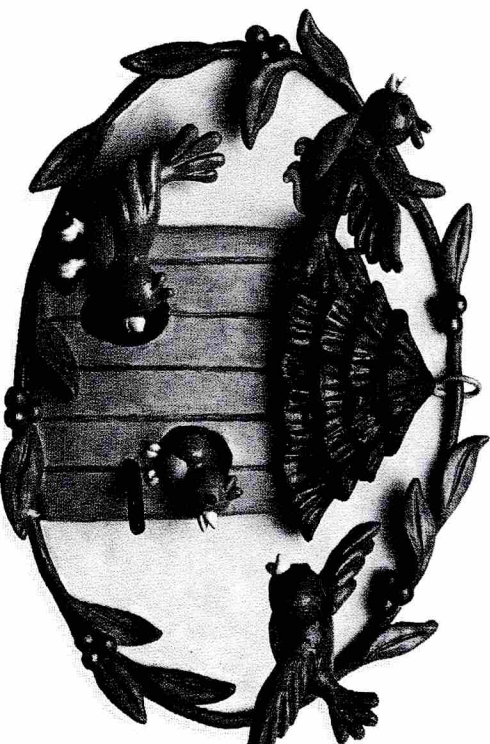
Lodging receipts: These should show the travel location, duration of your stay, costs and expenses. Keep records for cleaning and laundry, telephone charges, tips, and other charges not shown separately.

Transportation receipts: These include airplane, train or bus ticket stubs, travel agency receipts, rental car or taxi receipts, etc., showing the amounts, dates and destinations.

Meal receipts: Generally, you must keep a log of your meal expenses and save receipts for amounts of \$75 or more. Either track the actual costs of your meals, or use the standard meal allowance, if you qualify. You may only claim a deduction for 50 percent of the unreimbursed cost of your meals.

Business Use of Your Home

If you use part of your home for business, you may be able to deduct expenses for the business use of your home. These expenses may include mortgage interest, insurance, utilities, repairs and depreciation. To qualify, you must meet both of the following tests.



■ The business part of your home must be used exclusively and regularly for your trade or business. However, there are exceptions for daycare facilities or storage of inventory/product samples.

- The business part of your home must be:
 - Your principal place of business, or
 - A place where you meet or deal with patients, clients, or customers in the normal course of your trade or business, or
 - A separate structure (not attached to your home) used in connection with your trade or business.

For a full explanation of tax deductions for your home office refer to **Publication 587, Business Use of Your Home**.

Entertainment Expenses

Entertainment includes any activity generally considered to provide entertainment, amusement or recreation. Generally, to be

deductible for tax purposes you must sit that entertainment expenses (including meals) are directly related to, or associated with, the conduct of your trade or business. You must also have records to prove the business purpose (under the applicable test) and the amount of each expense, the date and place of the entertainment, and the business relationship of the persons entertained. Entertainment expenses are usually subject to a 50 percent limit.

Gift Expenses

If you give gifts in the course of your trade or business, you can deduct all or part of the cost. Generally, you can deduct no more than \$25 for business gifts you give directly or indirectly to each person during your tax year.

See **Publication 463, Travel, Entertainment, Gift, and Car Expenses**, and **Publication 535, Business Expenses**.