

# Business Use of Your Motorcycle

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Whether you're an employee or you run your own business, chances are you will use your personal vehicle for work purposes. When you use a vehicle you own or lease in business, the costs incurred maybe tax deductible and keeping careful records can maybe save big bucks.

Usually the vehicle involved is a "cage"; that is a car, or truck, or van, but if the fluctuating gas prices had you using your bike then the same cost deductions can be taken.

It is important to know that there is a difference as to who takes the deductions as well as how and where they are claimed. An employee who incurs expenses will have to use IRS tax form, Schedule A and an additional form 2106 to be able to claim any vehicle and out of pocket or calculated expenses. Keep in mind there are several hurdles an employee has to jump to claim out of pocket expenses that often lessen or eliminate the deduction completely. If you own your business and are, a sole proprietor, all the expenses incurred would go on Schedule C and these expenses directly offset the income reported on the form.

Deductions must be work related. When there is a combination of personal and business use, we must pro-rate the amount of usage. There are two ways that business use of your ride can be taken.

**Standard Mileage Rate:** Actual mileage for business usage. Keep in mind, commuting mileage and tolls to work offer no tax deduction allowance by the IRS. Once at work, any mileage and out of pocket expenses for tolls and parking paid for business purposes are deductible. It is paramount that accurate records be kept. You should take a mileage reading at the beginning of the year and again at the end. This gives us the start and end bracket figures for the year's mileage. Keep a notebook or some other type of log of the mileage. It does not have to be anything elaborate, just something to validate the mileage you are claiming. For tax year 2008, the standard mileage rate allowance was split. Business miles from Jan 1 to June 30th went at 50.5 cents per mile. From July 1 to December 31st, the rate is 58.5 cents per mile. For 2009, starting January, the rate will be 55.5 cents per mile.

**Alternative Method:** The IRS allows you to claim an alternate deduction of the depreciated value for the motorcycle and accessories instead of the 50.5 / 58.5 cents per mile combo. This is based on the cost of the motorcycle as well as other expenses such as gas, oil, repairs, insurance as well as other amounts spent to maintain or run the bike at the business use percent. Even using this function, it is necessary to have the mileage to be able to determine the business use percent. A motorcycle is considered to fully depreciate in 5 years. Therefore a portion of the value is spread over time to be able to give someone several years of deductions based on a large cash investment.

**Note:** An allowance for out of pocket expenses for tolls and parking fees once you get to work are allowed no matter which option you use. (If you pay a parking fee to park at your job or tolls going to and from work, these are NOT deductible)

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