

## Vehicle Deductions and Substantiation

Deductions for vehicle-related expenses are an important part of most business tax returns. Whether such deductions pass scrutiny with the IRS depends on whether the business complies with the strict substantiation requirements necessary for such deductions. With respect to deductions relating to vehicles, we need to ensure that your business records include the following information with respect to each vehicle used in the business: (1) the amount of each separate expense with respect to the vehicle (e.g., the cost of purchase or lease, the cost of repairs and maintenance); (2) the amount of mileage for each business or investment use and the total miles for the tax period; (3) the date of the expenditure; and (4) the business purpose for the expenditure. The following are considered adequate for substantiating such expenses: (1) records such as an account book, diary, log, statement of expense, or trip sheets; and (2) documentary evidence such as receipts, canceled checks, bills, or similar evidence.

Records are considered adequate to substantiate the element of an expense only if the records are prepared or maintained in such a manner that each recording of an element of the expense is made at or near the time the expense is incurred.