

SUBJECT: LOCAL TRANSPORTATION COSTS

DATE: 02.11.2010

Many times taxpayers have to travel from one the home office to another business location. Per the IRS local transportation refers to travel in which you aren't away from your tax home (the city or general area in which your main place of business is located) long enough to require sleep or rest. Different rules apply if you are away from your tax home for significantly more than an ordinary work day and need sleep or rest in order to do your work.

The most important feature of the local transportation rules is that your *commuting costs from your home to your normal job location is not deductible*. That is, the fare you pay or the miles you drive simply to get to work and home again are personal and not business miles and no deduction is available. This is the case even if you work during the commute, e.g., via a cell phone, or by performing business-related tasks while on the train. There is an exception for commuting to a temporary work location that is outside of the normal area in which you live and normally work. "Temporary," for this purpose, means a location where your work is realistically expected to last (and does in fact last) for no more than a year.

On the other hand, once you get to work, the cost of any local trips you take for business purposes is a deductible business expense. So, for example, the cost of travel from your office to visit a client, pick up supplies, etc., is deductible. Similarly, if you have two business locations, the costs of travel between them are deductible.

Recordkeeping. If your deductible trip is by taxi or public transportation, save a receipt if possible but it is allowable to just make a notation of the expense in a logbook, and record the date, amount spent, destination, and business purpose. If you use your car, note miles driven instead of amount spent. Note also any tolls paid or parking fees.

You will need to allocate your automobile expenses between business and personal use based on miles driven during the year. Proper recordkeeping is crucial in the event of an IRS challenge. Your deduction can be computed using

- (1) a standard mileage rate
 - a. (for 2009 and 2010, 55 cents per business mile driven;
 - b. for 2008, 50.5 cents per business mile driven through June, and 58.5 cents per business mile driven thereafter)

- c. plus tolls and parking, or
- (2) actual expenses (including depreciation, subject to limitations) for the portion of car use allocable to the business.

For method (2), you will need to keep track of all costs for gas, repairs and maintenance, insurance, interest on a car loan, and any other car-related cost.

I hope this material is helpful. If you want more information please call or email.