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TAXES, MONEY

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By [Brette Sember](#)

If you itemize deductions on your federal income tax, you're probably aware that you can write off some of the expenses of using your car (1) to conduct business, (2) to move or to take care of medical needs, and (3) to do charitable work. But if you're filing on the late side this year, you might be in for a surprise; two of the three [deductible mileage rates for 2016](#) have declined.

The business mileage rate has decreased by 3.5 cents per mile (from 57.5 cents/mile to 54 cents/mile), while the rate for medical and moving expenses has decline by 4 cents per mile (from 23 cents/mile to 19 cents/mile). Only the rate for charitable mileage has stayed the same, holding at 14 cents/mile, an amount that is set by law, unlike the business and medical/moving rates, which are adjusted annually for inflation.

That might not sound like much, but if you've been budgeting carefully based on previous rates, you may find yourself dealing with a shortfall.

Deducting business mileage

When considering [business mileage](#), you are entitled to deduct the mileage used driving from your main place of business to other business locales as part of your job or business. You *cannot* deduct your commute from home to work.

When you use your own vehicle to drive for your job, you actually have two options for how to compute the tax deduction. One is to keep track of the miles you drive for work and multiply those by the allowed mileage amount (note that you actually need to maintain a detailed log, in case you are audited). The other choice is to track all of your vehicle's expenses (gas, interest payments, repairs, tolls, etc.) and total them. Then determine what percentage of the time the vehicle is used for business and multiply the total expenses by the percentage. Most people prefer to take the straight mileage deduction.

Deducting charity miles

When you drive a [donation to a charity](#) or you volunteer your time at a charity that is [recognized by the IRS](#), you can deduct the mileage used to drive to and from the charity or for any driving you did for the charity (such as transporting some brochures to another office).

Deducting medical and moving miles

Mileage you've racked up driving to medical appointments and procedures and to pick up prescriptions is [deductible](#), but only if your total medical costs for the year exceed 10 percent of your adjusted gross income (the threshold is 7.5 percent if you or your spouse—if you file jointly—are over age 65). You can deduct your [mileage](#) for moving if you relocated because of your job.

What's with the decrease in the business mileage reimbursement rate?

The decrease is not surprising since gasoline prices are down. The IRS determines its [mileage rates](#) by studying the annual costs of operating and maintaining a car, and since gas prices are lower, so is the overall cost of driving. If gas prices go up, you can expect the mileage reimbursement rate to increase the next year.

Impact of the rate decrease on small business

The rate decrease means different things for different types of small businesses. For sole proprietors, it is not good news. At the end of the day, you will have a smaller business mileage deduction to take on your taxes (although your gasoline costs should be down). For small business owners with employees, however, the decrease is a small piece of good news. If you have employees who use their vehicles for business purposes and you reimburse them for their mileage at the IRS rate, you'll be shelling out less.

Regardless, it's long past time for business owners to get going on taxes, so file ASAP, and go [here for more advice](#) on taxes or anything else related to your business.

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About Brette Sember

[Brette Sember](#) is a former attorney and author of more than 40 books, including *The Divorce Organizer & Planner*, *The Complete Divorce*, *How to Parent with Your Ex*, *The Essential Supervisor's Handbook*, *The Complete Credit Repair Kit*, *The Original Muffin Tin Cookbook*, and *The Gluten-Free Guide to Travel*. She writes often about law, parenting, food, travel, health, and more. She blogs at [PuttingItAllOnTheTable.com](#).

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