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A DENTAL GROUP COMPANY

**RESOURCE**

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# Tax Rules for Business Use of Automobiles for Dentists©

The following is a brief overview of the practical tax rules related to dentists' use of automobiles for dental related purposes. You should consult with your DG Advisor regarding the best method for you and your practice as well as how to optimize your deduction and properly document it.

## TWO METHODS

There are generally two methods to deducting auto expenses. The first is the standard mileage rate and the second is the "percentage of actual" method.

### STANDARD MILEAGE

This is the simpler of the two methods and requires only documenting the business mileage driven. With this method, you simply multiply the mileage rate (see below) times the number of business miles driven and deduct the result on the applicable tax return.

The advantage to this method is its simplicity. It is highly recommend for those dentists who only do a little dental related driving of an automobile that is generally used for personal purposes.

You can keep a log to track business miles or you can utilize a good faith estimate of the business miles you typically drive. Please see Dental Group Resource **Auto Worksheet** which includes a list of typical auto travel conducted by dentists. In the case of a log, you could keep this daily throughout the year or you could use one or two months as a "sample" from which to extrapolate.

***The reimbursement rate in cents per mile is:***

***2017*** ***53.5***

### ACTUAL METHOD

In this case, you must track business miles and non-business related miles as well as track all expenses such as gas, oil, maintenance, insurance, etc. You are then allowed to deduct all expenses by the business use percentage. In addition, you will be allowed to deduct a portion of the lease payment and/or a portion of the cost via "depreciation".


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The depreciation deduction is also limited by the luxury auto rules[1] and further limited to your business use percentage. If business use is less than 50%, accelerated methods may not be used – including the Section 179 Expensing Election.

The "actual method" can result in significantly higher tax deductions – particularly if the business use percentage is significant. However, this method also requires much more detailed documentation of both the expenses as well as the business miles driven.

With **either method** we recommend that you keep a log daily throughout the year or alternatively, you could use one or two months as a "sample" from which to extrapolate. **The larger your auto deductions – the more thorough you should keep your records.**

## SOLE PROPRIETORS INCLUDING PLLC

Sole proprietors may deduct either actual expenses or the standard mileage rate against their sole proprietorship income -- ***this can result in income tax and self-employment tax savings.*** Sole proprietors may want to run some or all of their auto expenses through their business accounts, depending on a number of variables that we can help you evaluate.

## INCORPORATED DENTISTS

Incorporated dentists have two options:

1. Utilize the mileage method to track business use of your personally owned vehicle and reimburse yourself each month or year (prior to December 31); or,
2. Use the actual method and treat the vehicle as a "company" car. In this case, you will capture 100% of the vehicle expense in the corporation and "add back" the personal use value to your W-2 or income tax return. You should follow the rules related to the "actual method" discussed above.

Questions? Please do not hesitate to call your DG Advisor!

[1] For vehicles that are considered "luxury autos" there is an "add back" to income. Generally, passenger vehicles valued at $19,000 or more.


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