

John Matthews
JohnMatthews.us
jwmatt@yahoo.com



Certified by
ATA in
Japanese > English
Translation
since 1989

Business 101 for Translators & Interpreters

How Do I Qualify to Deduct Mileage Expenses?

by John Matthews, MBA & CT
2013

Deducting mileage expenses is probably more significant for Inez the Interpreter than it is for Terri the Translator because Inez travels to the job site almost every day, while Terri works at home and only occasionally drives to business meetings.

General Concept according to IRS Publications 463 and 587

1. Mileage expenses are expenses related to traveling from your office to another job site.
2. Traveling from your home to the office is considered "commuting." Commuting expenses are never deductible.
3. Therefore, it essential for Inez to qualify for a Home Office deduction in order to deduct mileage and other transportation expenses from her home office to a job site like the court, hospital or attorney's office to perform her interpreting work.
4. You can refer to the information on the Home Office deduction in the MICATA Monitor December 2012 edition on the MICATA website at www.micata.org .

Inez the Interpreter – Commuting vs. Traveling to the Job Site

Inez commutes to her office every morning by walking from the kitchen after breakfast to her home office in her 2nd bedroom.

After she has commuted to her home office, when she travels to the court, hospital or attorney's office to perform her interpreting work, she is traveling from her office to a

second job site. Therefore, the expenses related to traveling from her office to the job site, and from the job site back to her office, now become deductible.

After she has returned to her office, she then commutes back home by walking into the kitchen. Then she rests after a hard day of work.

Mileage and Other Transportation Expenses that Are Deductible

Inez drives her car from her office to the courthouse on days when she performs her services as a court interpreter. She keeps track of the mileage from her office to the courthouse and back again to her office, and she will deduct the IRS standard mileage rate (55.5¢ per mile in 2012) for the number of miles she travels. She also keeps track of parking expenses, bridge tolls, toll-road fees, etc. and she gets a receipt when possible because those amounts are deductible also. Her parking tickets and speeding tickets, etc. are not deductible.

Rather than driving, sometimes Inez decides to take the bus, and sometimes when her car is in the shop for repairs, she takes a taxi. She keeps a record of those expenses also because they are deductible as other transportation expenses.

Sometimes after Inez is finished at the courthouse, she drives to the hospital where she does interpreting for a few hours. The total mileage Office ⇒ Courthouse ⇒ Hospital ⇒ Office is deductible.

Inez is careful to stick to business on her route. She knows that if she stops to go to the grocery store, pick up the kids, or drive to her boyfriend's house, doing that could invalidate the mileage for the entire trip that day.

Standard Mileage Rate vs. Actual Expenses

Inez knows that it is difficult enough to keep track of the deductible mileage that she travels. It would be a nightmare to keep track of actual expenses like gas & oil, repairs, wear & tear, automobile depreciation, etc. And she has heard that the standard mileage rate actually turns out to be a more beneficial deduction than the actual expenses. So

she has decided to keep track of her mileage and take the standard mileage rate deduction each year.

Owning a Car vs. Leasing a Car

Inez knows that since she owns her car, she can deduct the standard mileage rate. If she were to lease a car next time, she could deduct either the standard mileage rate or the business proportional amount of her lease payments; one or the other, but not both. Deducting a proportional amount of her lease payments is a complex calculation (including the value of the car at the time of initiating the lease) and she depends on her qualified tax preparer to advise her by calculating it both ways and then taking the larger of the two possible deductions.

Other Expenses Also Deductible

Inez knows that she can also deduct the business proportional amount of the following expenses: personal property taxes on her car; interest on her car loan; amount of rent she pays to garage the car close to her home office. The other automobile-related expenses such as auto insurance, etc. are considered to be already included in the standard mileage rate and therefore no further deduction is available for those.

How to Calculate Mileage and Business Proportional Amount

1. Inez needs to know how many total miles she drove for the entire year, both for business purposes and non-business purposes because $\text{Business Mileage Driven} \div \text{Total Mileage Driven} = \text{Business Proportional Amount}$.
2. Every year she makes a New Year's Resolution to save herself some money, and on January 1 in the morning while the coffee is brewing, she goes out to the garage and makes a note of the odometer reading. She subtracts the 1/1/2012 odometer reading from the 1/1/2013 odometer reading, and now she knows how many total miles she drove in 2012. She's on the road now to saving money!
(If she had 2 cars during the year: For example, she used her 2005 Honda from January 1 ~ May 15; then she sold it and bought a 2012 Toyota and drove it from May 16 ~ December 31. She makes a note of the total mileage driven in the Honda, and the total mileage driven in the Toyota, and now she knows the total mileage driven for the entire year.)
3. In order to claim a mileage deduction, the IRS says you must:

- a. keep a record of the mileage you drive for business; and
- b. this record must be written (written can be pen on paper, or in an Excel spreadsheet, etc.).

The absolute best way to keep such a record is to make a note in a notebook in the car with:

- a. the date;
- b. the purpose;
- c. the odometer reading when you leave the office [LO];
- d. the odometer reading when you return to the office [RO].

$$[RO] - [LO] = \text{Number of miles driven on this day for business.}$$

Unfortunately, most people have more on their minds are not such good record keepers, and Inez has decided on a compromise. She will Google the mileage for the standard routes she drives, and makes a note that on this day she drove this route. For example,

Route X	Office \Rightarrow Courthouse \Rightarrow Office	23.3 miles
Route Y	Office \Rightarrow Courthouse \Rightarrow Hospital A \Rightarrow Office	40.2 miles
Route Z	Office \Rightarrow Hospital A \Rightarrow Office	17.0 miles

Inez knows that with gas prices going up and down, the IRS sometimes changes the standard mileage rate at a certain point in the year. For example, in 2011, the standard mileage rate January ~ June was 51.0¢ and in July ~ December it was 55.5¢. So it is important to keep a written record for each day because they announce such a change perhaps in October and apply it retroactively.

4. Inez keeps an Excel spreadsheet with rows for each workday, and a column for the mileage of the routes she drives. Then at the end of the year, she can easily total up the business mileage driven with the Σ function, and if there are 2 mileage rates for the year, she can easily see how many miles she drove for the first rate, and how many miles she drove for the second rate.
5. She performs the annual calculation Business Mileage Driven \div Total Mileage Driven = Business Proportional Amount. For example, 12,273 business miles \div 25,899 total miles = 47.39% Business Proportional Amount.
6. Therefore, she calculates these deductions on her tax return for her translation business expenses:
 - a. the standard mileage rate is 55.5¢ per mile, so she multiplies 12,273 business miles \times 55.5¢ per mile = \$6,812 for her mileage deduction;
 - b. she adds in the total of her parking fees, tolls, bus fares, taxi fares, etc. = \$873;

- c. and she multiplies her automobile loan interest (\$600) + personal property taxes (\$700) = \$1,300 X the business proportional amount of 47.39% = \$616;
- d. for a total deduction of \$6,812 + \$873 + \$ 616 = \$8,301

Mileage Expenses the Interpreting Agency Pays For

Inez works with an interpreting agency that pays her 25¢ for each mile she drives to the job.

By the end of January next year, the interpreting agency will send Inez a 1099-MISC that has one single dollar amount on it in Box 7 (Nonemployee Compensation). That dollar amount is the total of the interpreting fees they paid to Inez plus all other fees they paid to her including the mileage reimbursement.

Inez is a self-employed, independent contractor, and the total amount that the interpreting agency pays her is considered to be her gross income, regardless of any understanding between her and the interpreting agency about what this portion is for, or what that portion is for. The interpreting agency does not tell the IRS that this amount is for this, and that amount is for that. And the IRS does not care at all what each amount is for. The only thing the IRS cares about is Inez's gross income, and they want to see that the amount Inez puts on her tax return equals, or is more than, the total of the amounts the interpreting agencies report.

Therefore, since the interpreting agency paid her 25¢ a mile and it is considered to be included in her income, she still is able to deduct the full 55.5¢ a mile for the mileage she has driven.

Inez is a happy woman.