



Are you eligible for mileage deductions?

Whether you're filing your 2025 individual income tax return or planning for 2026, it's important to know if you can deduct vehicle-related expenses. A change that was made permanent by last year's One Big Beautiful Bill Act (OBBBA) limits who can claim a deduction for business mileage. But you might still be eligible, and deductions also may be available if you use your vehicle for certain nonbusiness purposes.

Rules have been evolving

Historically, if you were an employee, you potentially could deduct unreimbursed business mileage as a miscellaneous itemized deduction subject to a 2% of adjusted gross income (AGI) floor. But for 2018 through 2025, the Tax Cuts and Jobs Act (TCJA) suspended miscellaneous itemized deductions subject to the 2% floor. And the OBBBA made that suspension permanent.

This means employees can't deduct business mileage related to their employment. (However, if your employer reimburses you for mileage under an accountable plan, those reimbursements *are* excluded from your taxable income.)

If you're self-employed, expenses for business use of your vehicle are deducted from self-employment income. Therefore, they're not affected by the permanent suspension of miscellaneous itemized deductions subject to the 2% floor and are still deductible — as long as they otherwise qualify. For example, commuting doesn't qualify, but driving from your home or office to a customer's location does generally qualify.

Here are three other types of vehicle use that might make you eligible for mileage deductions:

1. Moving. Before 2018, work-related moving expenses were generally deductible without having to itemize deductions. But for 2018 through 2025, under the TCJA, moving expenses are deductible only for certain military families. The OBBBA made this change permanent, except that, beginning in 2026, certain intelligence community members are also eligible.

2. Medical. Expenses related to using your vehicle to get to and from medical appointments continue to be deductible as part of the medical expense itemized deduction. However, medical expenses are deductible only to the extent they exceed 7.5% of your AGI. It can be hard for taxpayers with larger AGIs to exceed this floor. And, with the high standard deduction made available by the TCJA and made permanent (and slightly increased) by the OBBBA, fewer taxpayers are benefiting from itemizing.

3. Charitable. Expenses related to using your vehicle for charitable purposes (if unreimbursed by the charity) continue to be deductible as a charitable itemized deduction. Unlike the medical expense deduction, no floor applies to the charitable deduction for 2025. But, under the OBBBA, a 0.5% of AGI floor goes into effect beginning in 2026.

Mileage deduction rates vary

Rather than keeping track of your actual vehicle expenses, you can use a standard mileage rate to compute your deductions. The rates vary depending on the driving purpose and the year:

- Business: 70 cents (2025), 72.5 cents (2026)
- Moving: 21 cents (2025), 20.5 cents (2026)
- Medical: 21 cents (2025), 20.5 cents (2026)
- Charitable: 14 cents (2025 and 2026)

The business rate is significantly higher because it takes into account depreciation, which isn't an allowable vehicle expense deduction for medical, moving or charitable deduction purposes. The charitable rate is the lowest because it isn't annually indexed for inflation. Occasionally, when gas prices increase substantially during the year, the IRS will increase the mileage rates midyear.

If you choose to claim deductions based on the standard mileage rate, you may also deduct actual parking fees and tolls.

Substantiation is critical

Without adequate records, the IRS may disallow your vehicle expense deduction, even if the expense would otherwise qualify. If you use the standard mileage rate, your records should show the date, mileage, purpose and destination of each trip. A mileage log kept throughout the year is one of the simplest ways to support your deduction.

If you choose to deduct *actual* expenses, documentation is also critical. Which specific expenses you can deduct depends on whether you're claiming the deduction for business, moving, medical or charitable use of your vehicle.

Evaluating your deduction opportunities

If you're self-employed or itemize deductions, you're more likely to be able to benefit from vehicle-related deductions. But other factors can affect your potential benefit, such as whether your total expenses exceed applicable deduction floors. Also keep in mind that you might be eligible for the new auto loan interest expense deduction for a vehicle purchased in 2025 or 2026.

Contact us to discuss your particular situation. We can help you claim any vehicle-related deductions you're entitled to on your 2025 return if you haven't filed yet. And we can help determine what steps you can take now to maximize your deduction opportunities for 2026.