



Vehicle expenses: Can individual taxpayers deduct them?

It's not just businesses that can deduct vehicle-related expenses on their tax returns. Individuals also can deduct them in certain circumstances. Unfortunately, under current law, you may not be able to deduct as much as you could years ago.

For years prior to 2018, miles driven for business, moving, medical and charitable purposes were potentially deductible. For 2018 through 2025, business and moving miles are deductible only in much more limited circumstances. The changes were a result of the Tax Cuts and Jobs Act (TCJA), which could also affect your tax benefit from medical and charitable miles.

Fortunately, if you're eligible to deduct driving costs, the IRS just increased the standard amounts for the second half of 2022 due to the high price of gas.

Current vs. past limits

Before 2018, if you were an employee, you potentially could deduct business mileage not reimbursed by your employer as a miscellaneous itemized deduction. But the deduction was subject to a 2% of adjusted gross income (AGI) floor, which meant that mileage was deductible only to the extent that your total miscellaneous itemized deductions for the year exceeded 2% of your AGI. However, for 2018 through 2025, you can't deduct the mileage regardless of your AGI. Why? The TCJA suspends miscellaneous itemized deductions subject to the 2% floor.

If you're self-employed, business mileage can be deducted from self-employment income. Therefore, it's not subject to the 2% floor and is still deductible for 2018 through 2025, as long as it otherwise qualifies.

Miles driven for a work-related move prior to 2018 were generally deductible “above the line” (that is, itemizing wasn’t required to claim the deduction). But for 2018 through 2025, under the TCJA, moving expenses are deductible only for active-duty members of the military.

Miles driven for health-care-related purposes are deductible as part of the medical expense itemized deduction. For example, you can include in medical expenses the amounts paid when you use a car to travel to doctors’ appointments. For 2022, medical expenses are deductible to the extent they exceed 7.5% of your AGI.

The limits for deducting expenses for charitable miles driven haven’t changed, but keep in mind that the charitable driving deduction can only be claimed if you itemize. For 2018 through 2025, the standard deduction has been nearly doubled so not as many taxpayers are itemizing. Depending on your total itemized deductions, you might be better off claiming the standard deduction, in which case you’ll get no tax benefit from your charitable miles (or from your medical miles, even if you exceed the AGI floor).

Different mileage rates

Rather than keeping track of your actual vehicle expenses, you can use a standard mileage rate to compute your deductions. The 2022 rates vary depending on the purpose:

- **Business.** 62.5 cents for July 1 to December 31, 2022, and 58.5 cents for January 1 to June 30, 2022.
- **Medical.** 22 cents for July 1 to December 31, 2022, and 18 cents for January 1 to June 30, 2022.
- **Moving for active-duty military.** 22 cents for July 1 to December 31, 2022, and 18 cents for January 1 to June 30, 2022.
- **Charitable.** 14 cents.

In addition to deductions based on the standard mileage rate, you may deduct related parking fees and tolls. There are also substantiation requirements, which include tracking miles driven.

Get help

Do you have questions about deducting vehicle-related expenses? Contact us. We can help you with your tax planning.