

## Own Two Cars? Claim Business Tax Deductions on Both!

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If you use your car for business, you're well aware by now that you can deduct your business mileage. If you have a tax-deductible home office, you can even deduct your commute to and from work each day. But, did you know that you might also be able to claim expenses for *more than one* vehicle? For business owners who fit the requirements, you can significantly increase your tax savings with deductions on both your vehicles.

### Marriage Status Makes a Difference

It seems like married couples often get the most benefits when it comes to tax savings, but deducting business mileage for two vehicles is actually easier for the single folks. A single person who drives more than one car has a good chance of deducting expenses for both. The married person, on the other hand, will have a bit of a harder time justifying this deduction on their tax return. It can be done, though.

Here's what you need to prove for the deduction if you're married:

1. You drive more miles than your spouse.
2. Most of your miles are business miles.
3. The two vehicles are of comparable value.

### Figuring Out if You Qualify

So, either you're a single person with two cars, or a married person who uses both vehicles for business miles. Either way, you'll need to know four numbers regarding your vehicles and mileage. They are:

1. How many business miles you drive,
2. How many total miles you drive,
3. The cost of each vehicle, and
4. The estimated proceeds if you were to sell each of the vehicles.

These numbers should be pretty easy to produce. After all, you are keeping track of your business mileage already, right?

Get ready for some really easy math. It turns out the deductions work the same regardless of whether you're married, single, a sole proprietor, or the owner of a corporation. No matter your circumstance, you can take those four numbers above and determine whether the two car deduction creates an advantage for you.

**Tip:** One thing that *does* make a difference is if you have the car on a lease. In the case of a lease, you must use IRS mileage rates and cannot use the formula below.

## How to Do the Math

Let's do an example. For this example, you own two cars: Yellow Car and Blue Car. Yellow Car cost you \$23,000 and Blue Car cost you \$21,000, so you know those numbers for the formula already. <sup>[1]</sup>

Say you used to drive only one of the cars for business purposes, and you drove a total of 28,000 miles. In this scenario, you drive Yellow Car 30,000 total miles and Blue Car 8,000 total miles, for a grand total of 38,000. That gives you 93.3 percent business use for Yellow Car and 0 percent business use for Blue Car.

Given this scenario, you are putting more miles on Yellow Car, so it will be worth less at the time of sale—\$2,000. Blue Car could sell for \$5,000. These numbers, of course, will be an educated guess. Now, you get your total tax deduction by calculating the net cost of your vehicle (purchase price minus sale price), and then multiplying by your business-use percentage. For the single-car scenario, your deduction equals \$19,593.

Now, let's see what happens if you start dividing your business mileage between two vehicles. Your 28,000 business miles are now divided between two cars—14,000 miles each. And, your total mileage is also divided between both vehicles—19,000 total miles each (the grand total remains the same, 38,000 miles). This means you are now driving both vehicles for business use 73.7 percent of the time.

Your estimated sales proceeds in this case are \$3,500 for each vehicle, since they are being driven the same number of miles. Now what are the tax deductions for each car? Yellow Car: \$19,500 (net cost, or basis minus proceeds) multiplied by 73.7 percent equals \$14,372. Blue Car: \$17,500 multiplied by 73.7 percent equals \$12,898. This gives you a total tax deduction of \$27,270.

You just added an extra \$7,677 to your tax deduction! When you file your tax return, these deductions will be claimed (and adjusted) under depreciation, Section 179 expensing, and/or gain or loss on sales. These three elements equal the business percentage of the net cost of your vehicle. Before you decide to start using two cars for business, run the numbers through this easy formula, and see if it would save you money. Regardless of whether you claim these deductions using IRS mileage, actual expenses, or Section 179 expensing, the formula accurately determines whether claiming expenses for two vehicles is a better solution for you.

1. If you traded in an older vehicle for one of these, you may want to use the adjusted basis rather than the original basis, or cost of the vehicle. [^](#)