



How's your Mileage (log)?

By Martin R. Glickstein, CPA

So, you have received a letter from the IRS informing you of an impending audit. As you are gathering your records and supporting documents, perhaps you wonder what record the auditor will ask for first, or to which one is he or she going to pay special attention.

While we cannot answer definitively which record the auditor will ask for, we can tell you that some of the most commonly reviewed documents by the IRS are your mileage logs. Maintaining a mileage log that meets IRS requirements is onerous to say the least. If you're able to produce a perfect mileage log when the auditor requests one, it could help the rest of the audit go more smoothly. Conversely, should the auditor ask for your mileage log and receive one that is incomplete or contains errors, it may prompt the auditor to continue digging.

Aside from the fears that an IRS auditor may continue to scrounge through your records, there is another practical reason that you should keep stellar mileage logs: Without these records, you are likely unable to properly substantiate your deductions.

In fact, a recent case involving a business owner who lost his mileage logs underscores this point. The business owner was the subject of an IRS audit and had lost his mileage logs for one of the years in question. He reconstructed the logs, as allowed by the IRS, to provide the substantiation for his vehicle deductions. The Tax Court found that his reconstructed logs were missing vital information that made his deductions unable to be substantiated, thus prompting the Tax Court to give the business owner a zero deduction for vehicles for the year. Also, it found that originals he had relating to other years did not meet IRS requirements and eliminated two more years' worth of deductions.

In order to ensure that your mileage logs will stand up to IRS scrutiny, you must do simply what the requirements dictate. To begin with, a log showing the beginning and ending odometer readings for each day will not hold up to IRS scrutiny. Your log needs to break out your commuting mileage, personal mileage, business mileage as well as the starting and ending odometer readings. The best logs are kept at least weekly (per IRS guidelines), if not more often, and log mileage by appointment, provide a description of the appointment, explain whether the mileage is business-related and explain the type of deduction for which it qualifies.

There are a number of ways you can keep your log, including some companies that even offer a call-in service for those who are adverse to the written log. The professionals at our firm can answer your questions about how to create a mileage log system that will withstand IRS scrutiny. Please feel free to contact us today.

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