Small Business Taxes

Deductions and Credits Overview

Business Mileage

For 2026, the IRS standard business mileage deduction is 72.5 cents per mile, allowing self-employed individuals and business owners to deduct vehicle expenses for qualifying business travel.

ELIGIBLE BUSINESS MILEAGE

Business mileage includes driving for activities related to your business, such as:

- Traveling to meet clients or customers
- Driving between job sites
- Picking up supplies or making money deposits for your business
- Attending business related conferences or meetings

Commuting Miles – the distance between your home and your regular workplace – are not deductible. Only miles driven for business purposes outside your normal commute qualify for the deduction.

RECORD KEEPING REQUIREMENTS

To claim a mileage deduction, you must maintain accurate records, including:

- Date of each trip
- Starting point and destination
- Purpose of the trip
- Miles driven

Logs can be handwritten, maintained in spreadsheets, or tracked using a variety of apps. Proper documentation is essential in case of an IRS audit.

DISCLAIMER: *This information is for general education only and is not individualized tax, legal, or financial advice. Consult a qualified tax professional about your specific business, entity type, government obligations, and cash-flow situation.*

The **Iowa** Center

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THE STANDARD MILEAGE RATE

- Multiply your total business miles by the standard IRS mileage rate (72.5 cents per mile for 2026)
- Simplifies record keeping since you do not need to track individual vehicle expenses
- Ideal for frequent business drivers with lower vehicle costs

THE ACTUAL EXPENSE METHOD

- Deduct the actual costs of operating your vehicle, including gas, oil, insurance, maintenance, and depreciation.
- Multiply total expenses by the percentage of miles driven for business.
- Can yield a higher deduction if your vehicle expenses are high.

IMPORTANT: You must choose your method in the first year the car is used for business. Switching methods in later years may be restricted, especially if you initially used the actual expense method due to depreciation rules.

"COMMON MISTAKES"

- Claiming commuting miles
- Estimating mileage instead of tracking it
- Mixing personal and business expenses
- Failing to document the business purpose of each trip
- Using the actual expense method without receipts

CHOOSING THE BEST METHOD

The "best method" depends on your driving habits, vehicle type, and record keeping preferences. Choose the standard mileage rate if you want simplicity, minimal record keeping, a predictable deduction, and if you want to avoid tracking every expense. Choose the actual expense method if you drive a newer or more expensive car, have high repair or insurance costs, use the vehicle heavily for business, want to maximize depreciation.

ADDITIONAL NOTES

- Self-employed individuals report mileage on Schedule C, E or F
- Employees who are reimbursed by their employer typically cannot claim a deduction for reimbursed mileage
- Charitable, medical and moving mileage have separate rates and rules
- By carefully tracking your business miles, and choosing the most advantageous deduction method, you can significantly reduce your taxable income and maximize your tax savings

ADDITIONAL INFORMATION

- IRS Small business and self-employed tax center web page:
    - irs.gov/businesses/small-business-self-employed
- IRS Topic 510, Business use of car
- IRS PUB 463, Travel, Entertainment Gift, and car expenses

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