

Business Expense Log

Year of



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Business Expense Log

Name _____
Street Address _____
City _____ State _____ Zip _____
Work Phone _____ Home Phone _____

Year Ending _____
Odometer Reading _____
Year Beginning _____
Odometer Reading _____
Total Year Miles _____
Total Year Business Miles _____
% Business Miles _____

Auto License No. _____
Auto Insurance Policy No. _____

Contents

	Page
Overview of Basic Rules	2
Car Mileage & Operating Expenses.....	4
Other Business Expenses	6
Tax Basis of a Car	8
Recap Sheets.....	9
Reimbursement Record.....	11
Computer Time	12

Business Expense Log

If you use a car, travel away from home, entertain, or make gifts in connection with your trade or business, you must substantiate your expenses or the IRS may disallow any deduction or tax credit related to those expenses.

Business Expense Log

You must keep adequate records to prove expenses for business travel, entertainment, and gifts, including meals and lodging while away from home. Your records should show: (1) the amount of the expense; (2) the date, time and place the expense was incurred; (3) the business purpose of the expense; (4) a description of any gift; and (5) the business relationship of those entertained or receiving a gift. Documentary evidence is also generally required for any lodging expense while traveling away from home and for any other expense of \$75 or more (except for transportation charges when not readily available). You may be able to use a per diem method to substantiate some of your travel expenses. Your tax advisor will tell you if you are eligible.

The Year Business Expense Log contains three basic tables to allow you to substantiate your: car mileage and operating expenses; other business expenses; and business use of a computer. Monthly recap sheets for car expenses and other business expenses are on pages 9 and 10, respectively. An annual business expense recap is on page 11.

• Car mileage and operating expenses

If you record the actual amount of car expenses you incurred during the tax year, then all operating and fixed costs related to business use are deductible. This includes depreciation, maintenance, repairs, tires, gasoline, oil, insurance, license plates, tolls and certain registration fees. Rules for determining the tax basis of a car in computing your allowable depreciation appear on page 8.

Instead of recording your actual car expenses, you may be able to use the standard mileage rate method. If you do, you may still deduct parking fees, tolls, personal property taxes, and if you are self-employed, interest relating to the purchase of the vehicle.

A daily business log (and instructions) for substantiating car mileage and operating expenses begins on page 4. You should show the amount of expenses incurred, the total mileage driven, the mileage devoted to business, investment and personal purposes, and the date and purpose of the trip.

- *Other travel and entertainment expenses*

A daily business log and instructions for substantiating business travel and entertainment expenses other than car expenses, begins on page 6. You should provide information to meet the recording requirements (1) - (5) noted before.

If you are an employee, you may receive reimbursements from your employer for business expenses that you incurred. These reimbursements will be excluded from your taxable wages reported on Form W-2 if you substantiate your expenses and return any unsubstantiated reimbursements to your employer in a timely fashion. A reimbursement record is provided on page 11 for this purpose.

Any reimbursements included in your taxable wages, or any un-reimbursed employee business expenses that you have, may be claimed as a miscellaneous itemized deduction on Schedule A of Form 1040 after completing Form 2106 (Employee Business Expenses) or Form 2106-EZ (Un-reimbursed Employee Business Expenses). Self-employed individuals and "statutory employees" (e.g., full-time life insurance salespersons and certain traveling salespersons) may claim un-reimbursed business expenses as a deduction from gross income on Schedule C or C-EZ of Form 1040. The W-2 that you received from your employer should indicate whether you are classified as a "statutory employee." Additional rules apply to certain employees of a state or local government.

The amount of business meals and entertainment expenses that are deductible is generally limited to 50% of the expense whether un-reimbursed or reimbursed but included in your taxable wages. This includes any related expenses, such as taxes, tips, parking fees, or room rentals. Individuals who are subject to the Department of Transportation hours of service rules (e.g., interstate truck drivers) may claim a deduction of 75% of their business meal expenses. Check with your tax advisor to see if tax legislation late in 2006 increased these percentages.

Generally, no deduction is allowed for dues incurred for any club organized for business, pleasure, recreation or other social purpose. If your employer reimburses you for any club dues, then the amount of the reimbursement will be treated as additional compensation.

- *Computers*

To allocate the depreciation of a computer between business and personal use, a computer time log is provided on page 12.

Car Mileage & Operating Expenses

How to Complete the Car Mileage & Operating Expense Record

To record your car mileage and operating expenses, you should enter the details of each use of your car in the "Destination - Purpose of Trip - Contact" column in the following records. Entries should be made at or near the time when the car is used or when any related expense is incurred. A yearly recap sheet is provided on page 9 to post totals on a monthly basis. In addition, a monthly reimbursement record is provided on page 11. Rules for determining the tax basis of a

car in computing your allowable depreciation appear on page 8.

Any business purpose should be indicated in general terms - such as "various sales calls." It is recommended that the name(s) and title(s) of the person(s) contacted should be entered. Round trips can be accounted for in a single entry. If you use a car for travel away from your home, this fact should also be reflected.

Car mileage should be recorded by entering the beginning and

ending mileage in the "Odometer" columns. The mileage should then be separated in the "Mileage Breakdown" columns based on which portion is for business, investment and personal purposes. "Expenses" should be recorded in the appropriate column. "Other" expenses may include car repairs, washes, towing, insurance, etc. An additional column allows you to include a brief description of these items.

Car Mileage & Operating Expenses

[illegible]

Note: Retain all receipts for lodging, transportation and single expenditures of \$75 or more.

Month of

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[illegible]

Note: Retain all receipts for lodging, transportation and single expenditures of \$75 or more.

Other Business Expenses

How to Complete the Other Business Expense Record

To record your business expenses (other than car expenses) you should enter the details of each expense in the "Description - Purpose" column in the following records. Entries should be made at or near the time the expense is incurred. A yearly recap sheet is provided on page 10 to post totals on a monthly basis. In addition, a monthly reimbursement record is provided on page 11.

In the case of travel, the date of departure and return for each trip and the number of days for business should be indicated. Likewise, the name of the city or destination, and the business

reason for travel or the business gained or expected to be gained should be reflected. Entertainment, meal, lodging and transportation expenses should be reported separately in the appropriate columns. Incidental expenses such as cab fares, laundry and telephone can be reported in the "Other" column.

In the case of entertainment expenses, use the "Description - Purpose" column to report the following details: (1) place and location of the entertainment; (2) the names of the guests being entertained, their titles or occupation, and the name of their

company or firm; and (3) the business purpose or nature of the business benefits to be received. In most cases, you may substantiate the business purpose of entertainment expenses by indicating the business benefit gained or expected to be gained and the nature of any business discussion or activity that took place. You should indicate whether the cost of any business meal or entertainment expense is reimbursed by your employer. Reimbursements may be included in your taxable wages and thereby subject to the 50% deduction limit (see page 3).

Other Business Expenses

[illegible]

Note: Retain all receipts for lodging, transportation and single expenditures of \$75 or more.

Other Business Expenses

Month of

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[illegible]

Note: Retain all receipts for lodging, transportation and single expenditures of \$75 or more.

BASIS

How to Compute Tax Basis of a Car

You must determine your basis in a car used for business purposes in order to compute your allowable depreciation deduction.

- *Tax basis*

Your basis in a car used for business purposes is generally the cost to purchase the vehicle increased or decreased by certain amounts. For example, your basis is increased for any improvements made to the car, as well as any sales tax or dealer charges paid to purchase the vehicle. Your basis is reduced by items such as: the deduction for a casualty loss; any amount expensed under Section 179; any bonus depreciation deduction taken before 2005; the deduction for clean-fuel vehicles; and/or the tax credit for electric vehicles.

If the car was converted from personal use to business use, your basis for depreciation is the smaller of your adjusted basis or the fair market value of the car on the date of conversion.

- *Trade-in cars*

Special rules apply in determining your basis in a car acquired by trade. If the old car you trade-in was used *exclusively* in your business, then your basis in the new car will be the same as your basis in the old car, plus any additional amount you paid for the new car. If the old car was only used partly in your business, then your basis is determined in the same manner with one exception. Your basis will be reduced by any excess amount of depreciation that would have been allowed before the trade if 100% of the use was for business purposes, over the total amount of depreciation actually allowed.

RECAP SHEETS

Year Recap of Car Mileage & Expenses

	Mileage Breakdown			Expenses		
Mo.	Business	Investment	Personal	Gas, Oil, Lube	Parking -Tolls	Other
JAN						
FEB						
MAR						
APR						
MAY						
JUN						
JUL						
AUG						
SEP						
OCT						
NOV						
DEC						
Totals						

Total car expenses

\$_____

RECAP SHEETS

Year Recap of Other Business Expenses

Mo.	Entertainment	Meals	Lodging	Fares	Other
JAN					
FEB					
MAR					
APR					
MAY					
JUN					
JUL					
AUG					
SEP					
OCT					
NOV					
DEC					
Sub-Total					
Limit-ation*					
Totals					

Total other business expenses \$_____

*As noted on page 3, deductions for business meals and entertainment expenses are generally limited to 50% of the expenses. However, this limitation does not apply to (1) reimbursed expenses of employees and (2) expenses that are deductible as compensation. If the 50% limit applies, multiply the amounts shown on the "Subtotal" lines by the 50% "Limitation" in order to arrive at your deductible expenses.

REIMBURSEMENT RECORD

Year Record of Reimbursement

Mo.	Car Operating Expenses	Other Business Expenses
JAN		
FEB		
MAR		
APR		
MAY		
JUN		
JUL		
AUG		
SEP		
OCT		
NOV		
DEC		
Totals		

YEAR BUSINESS EXPENSE RECAP

Total car expenses..... _____
 Total other business expenses..... _____
 Total Year business expenses..... _____
 Less reimbursements..... _____
 Net Year business expenses..... _____


COMPUTER TIME

How to Complete the Computer Time Log

Generally, questions concerning your business use of a computer will have to be answered in order to complete Form 4562 (Depreciation and Amortization) and arrive at your allowable depreciation deduction. These questions deal with the percentage of business use, the date placed in service, and whether records or other sufficient evidence exists to justify a business deduction. Computers used exclusively at a regular business establishment owned or leased by a person operating the establishment are exempted from this record-keeping requirement. Employees may generally depreciate a home computer based on business use if the computer is used for the convenience of the employer and required as a condition of employment.

You may use the computer time log on page 13 to record daily usage of your computer. Monthly totals should be made so that accurate usage figures are available at year-end.

COMPUTER TIME LOG

Date	Purpose	Time Bus.	Time Pers.
7/1	Inventory check	5 hrs.	
7/2	Set up sales presentation	3.5 hrs	
7/3	Revisiting customer lists	4.75 hrs	
7/5	Personal		2 hrs.
			
7/31	Monthly total for July	22 hrs.	2 hrs.
8/1	Inventory check	4.5 hrs.	
8/2	Revisiting customer lists	3 hrs.	
	TOTAL TIME	42.75 hrs.	4 hrs.
	PERCENTAGE PERSONAL USE	6.35%	

Total number of hours used?.....

Total number of hours for business use?.....

Where is your computer located?

Home ☐ Office ☐ Both ☐

If both, what percentage of the year was it at home?

Percentage personal use?

Computer Time Log

Month of

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[illegible]