

Department of the Treasury
Internal Revenue Service

▶ See instructions on back.
▶ Attach to Form 1040.

Your name	Social security number	Occupation in which expenses were incurred
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Part I Employee Business Expenses Deductible in Figuring Adjusted Gross Income

1	Vehicle expenses from Part II, lines 15 or 22	1	
2	Parking fees, tolls, and business portion of certain interest and taxes (see instructions)	2	
3	Local transportation including train, cabs, bus, airplane, etc.	3	
4	Travel expenses while away from home overnight including meals, lodging, airplane, car rental, taxi, etc.	4	
5	Employees who are not outside salespersons: Enter your expenses, not included on lines 1 through 4, for entertainment, gifts, and other business expenses, up to the amount you were reimbursed by your employer. Use Schedule A (Form 1040) for these expenses that were more than your reimbursement	5	
6	Outside salesperson's expenses: Enter your total expenses for entertainment, gifts, and other business expenses not included on lines 1 through 4	6	
7	Add lines 1 through 6	7	
8	Enter reimbursements from employer on this line if the reimbursements were not included on Form W-2	8	
9	If line 7 is more than line 8, enter difference here and on Form 1040, line 25	9	
10	If line 8 is more than line 7, enter difference here and include it on Form 1040, line 7	10	

Part II Vehicle Expenses (Use either your actual expenses or the standard mileage rate.)

Section A.—General Information

	Vehicle 1	Vehicle 2
1	Enter the date vehicle was placed in service	/ /
2	Total mileage vehicle was used during 1986	miles
3	Miles included on line 2 that vehicle was used for business	miles
4	Percent of business use (divide line 3 by line 2)	%
5	Average daily round trip commuting distance	miles
6	Miles included on line 2 that vehicle was used for commuting	miles
7	Other personal mileage (subtract line 6 plus line 3 from line 2)	miles
8	Do you (or your spouse) have another vehicle available for personal purposes?	<input type="checkbox"/> Yes <input type="checkbox"/> No
9	If your employer provided you with a vehicle, is personal use during off duty hours permitted?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not applicable
10	Do you have evidence to support your deduction?	<input type="checkbox"/> Yes <input type="checkbox"/> No. If yes, is the evidence written? <input type="checkbox"/> Yes <input type="checkbox"/> No

Section B.—Standard Mileage Rate (Do not use this section unless you own the vehicle.)

11	Enter the smaller of Part II, line 3 or 15,000 miles	miles
12	Subtract line 11 from Part II, line 3	miles
13	Multiply line 11 by 21¢ (.21) (see instructions for a fully depreciated vehicle)	
14	Multiply line 12 by 11¢ (.11)	
15	Add lines 13 and 14. Enter total here and on Part I, line 1	

Section C.—Actual Expenses

	Vehicle 1	Vehicle 2
16	Gasoline, oil, repairs, vehicle insurance, etc.	
17	Vehicle rentals	
18	Value of employer-provided vehicle (applies only if included on Form W-2 at 100% fair rental value, see instructions)	
19	Add lines 16 through 18	
20	Multiply line 19 by the percentage on Part II, line 4	
21	Depreciation from Section D, column (f) (see instructions)	
22	Add lines 20 and 21. Enter total here and on Part I, line 1	

Section D.—Depreciation of Vehicles (Depreciation can only be claimed for a vehicle you own. If a vehicle is used 50 percent or less in a trade or business, the Section 179 deduction is not allowed and depreciation must be taken using the straight line method over 5 years. For other limitations, see instructions.)

	Cost or other basis	Basis for depreciation (Business use only—see instructions)	Method of figuring depreciation	Depreciation deduction	Section 179 expense	Total column (d) + column (e)
	(a)	(b)	(c)	(d)	(e)	(f)
Vehicle 1						
Vehicle 2						

Items You Should Note:

- If you are an employee and claim any deduction for the business use of a vehicle, you must use Form 2106 and complete Part II, Section A, including questions 8 through 10.
- If the vehicle was used more than 50 percent for business in the first year it was placed in service, and used 50 percent or less in a later year, part of the depreciation, Section 179 deduction, and investment credit will have to be recaptured in the later year. Figure the amount of depreciation and Section 179 deduction to be recaptured on **Form 4797, Gains and Losses From Sales or Exchanges Of Assets Used in a Trade or Business and Involuntary Conversions**. Figure the amount of investment credit to be recaptured on **Form 4255, Recapture of Investment Credit**.
- Recent legislation provides a new method that reduces the allowable depreciation deduction for automobiles placed in service after 12/31/86. However, you may elect to use that method for automobiles placed in service after 7/31/86. See **Publication 534, Depreciation**, for more information.

Instructions

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

Who Must File.—File this form if you are an employee and are deducting the following expenses attributable to your job:

- Outside salesperson expenses.
- Travel and transportation expenses.
- For employees, other than outside salespersons, any other business expenses, but only up to the amount of employer reimbursements.

Exception: You need not complete this form if you account to your employer by means of an account book, diary or similar statement, and your business expenses are equal to your reimbursement.

For deduction of education expenses as a business expense, including transportation, see **Publication 508, Educational Expenses**.

Line-by-Line Instructions

Part I

For lines 1 through 4 and 6, enter the total expenses applicable to each of those lines. For line 5, only enter the expenses up to the amount of your employer's reimbursement.

Line 2.—Enter any parking fees or tolls you paid in connection with using your vehicle for business. If you purchased the vehicle this year, and paid sales tax, multiply Part II, line 4 by the total sales tax, and include the result on this line. If you paid interest on the vehicle, multiply Part II, line 4 by that interest and include the result on this line. The remaining sales tax and interest should be deducted on Schedule A (Form 1040).

Line 3.—If you use transportation for business such as a taxicab, bus, or train, enter the cost. Also, enter any airplane fares that did not involve overnight travel. Do not include transportation while commuting to and from work.

Line 4.—Enter your meals, lodging, and transportation expenses paid while traveling away from your tax home overnight on business including temporary business assignments.

Instead of actual cost, you may include your expenses for meals at \$14 a day when you are in one general area less than 30 days and at \$9 a day for all the days, if you are in one general area 30 days or more. Get **Publication 463, Travel, Entertainment, and Gift Expenses**, for more details.

Lines 5 and 6.—You are an outside salesperson if you do your selling away from your employer's place of business. You are not an outside salesperson if your main duties are service and delivery or if you sell at your employer's place of business. If you are reimbursed by your employer one amount to cover travel or transportation expenses as well as other business expenses, allocate your reimbursement for purposes of line 5. Do this by dividing the expenses reportable on line 5 by your total expenses, and multiplying the result by your reimbursement.

Line 8.—Do not include reimbursements on this line if included on Form W-2.

Part II

If you used 2 vehicles for business during the year, use a separate column for each vehicle in Sections A and C. If you used more than 2, attach a computation following the format in Sections A, C, and D.

Line 1.—Date placed in service is the date you first start using your car for any purpose, whether personal or business. For example, if you first start using a car for personal use in February and convert it to business use in October, the car is considered placed in service in February, even though you cannot start depreciating it until October.

Line 2.—Enter the total mileage each vehicle was driven for all purposes during the year.

Caution: If you changed jobs during the year to one in which you first started using a vehicle in your job, enter only the total mileage for the months the vehicle was used in your job. After entering your business miles on line 3, figure your percentage of business use by dividing line 3 by line 2. Multiply that percentage by the number of months the car was used in your job, and divide the result by 12. Enter this percentage on line 4.

Line 3.—Do not include commuting mileage on this line.

Line 5.—Enter your average daily round trip commuting distance. If you go to a different business location each day, figure the average. Commuting mileage is the mileage from home to your first stop and from your last stop to home even if you do not go to the same location each day, or whether or not you are self-employed.

Line 6.—You may figure your total commuting mileage by multiplying line 5 by the number of days during the year you used each vehicle to and from work.

Section B—Standard mileage rate.—You may use the standard mileage rate instead of using actual expenses in figuring the deductible costs of operating a passenger car, including a van, pick-up or panel truck. You cannot use the standard mileage rate if you ever took depreciation on that car using a method other than straight line. You may not use the standard mileage rate unless you used that method the first year you start using the car for business. If you listed more than one vehicle on line 3, get **Publication 917, Business Use of a Car**.

Line 13.—If your vehicle is fully depreciated, multiply line 11 by 11¢ a mile (.11) instead of 21¢. A vehicle is considered fully depreciated after 60,000 miles of business use at the maximum standard mileage rate.

Line 16.—Enter your total expenses for the year, for gasoline, oil, repairs, insurance, tires, license plates, or similar items.

Line 17.—If you rented or leased a vehicle during the year instead of using one that you own, enter the cost of renting. However, you may have to include an amount in income. See **Publication 917**. Also, include on this line any temporary vehicle rentals, such as when your car was being repaired.

Line 18.—If your employer provided you a vehicle during the year that you used for business, and included the value on your Form W-2 at 100 percent of the fair rental value, enter that amount on this line. If less than the full rental value was included on your W-2, such as where your employer reduced the value for business use based on your records, do not include any amount on this line, but see **Publication 917**.

Section D.—Depreciation

Depreciation is an amount you can deduct over a certain number of years. In some cases, you may elect to expense, under Internal Revenue Code Section 179, part of your vehicle in the year of purchase. For more information on depreciation and the Section 179 deduction, including the limitations and their effective dates, get **Publication 917**.

Limitations.—For purposes of figuring the amounts to enter in columns (d), (e), and (f):

- *Vehicles placed in service after April 2, 1985.*—Depreciation plus Section 179 deduction is limited to \$3,200 the first year, multiplied by the percent of business use (line 4, Part II), and \$4,800 the second year multiplied by Part II, line 4.

- *Vehicles placed in service after June 18, 1984 and before April 3, 1985.*—Depreciation is limited to \$6,200 (\$6,000 if placed in service before January 1, 1985) the second and third year, multiplied by Part II, line 4.

Column (a).—Enter the vehicle's actual cost or other basis. If you traded in your vehicle, see **Publication 917** for the computation of basis. Reduce your basis by any diesel fuel tax credit.

Column (b).—Multiply column (a) by the percentage in Part II, line 4. From that result, subtract any Section 179 expense, and one-half of investment credit taken (if applicable, unless you took the reduced credit).

Column (c).—Use one of the following methods for figuring depreciation under ACRS:

Method 1. Enter "ACRS" and 25%, the first year placed in service; 38%, the second year; and 37%, the third year; or

Method 2. Enter "SL" and your choice of 3, 5, or 12 years; or

Method 3. You must use this method if the vehicle was placed in service after June 18, 1984, and Part II, line 4 shows 50% or less. Enter "SL" and 10%, the first year; and 20%, the second and third year.

Column (d).—Multiply column (b) by column (c) unless you used method 2 above. In that case divide column (b) by column (c), and if this is the first or last year of depreciating the vehicle, divide the result by 2.

Column (e).—If this is the first year the vehicle was placed in service, and you are taking a deduction under Section 179, enter the cost multiplied by Part II, line 4, but not more than \$3,200 multiplied by Part II, line 4. If Part II, line 4 shows 50 percent or less, enter zero.

Column (f).—Add columns (d) and (e), but do not enter more than the limitation listed above. If you sold or exchanged your vehicle during the year, enter zero in column (f) for that vehicle.