

## **What You Need to Know About Truck Driver Tax Deductions**

Truck drivers can benefit from several tax deductions specific to their profession.

### **Tax breaks for truck drivers**

There are a lot of expenses when you spend your day traveling! These can eat away at your hard-earned paycheck. However, smart truck drivers know that by carefully keeping records of all expenses, they can use these costs to reduce their taxable income with truck driver tax deductions.

The record-keeping is your responsibility but knowing exactly how to take these tax deductions can get complicated. If you're uncertain about how these deductions work, or simply don't want to bother with the minutiae of tax law, hiring an experienced tax professional can make your taxes easy.

Tax season is a chance to claim truck driver tax deductions and get some of that money back.

### **Who can claim truck driver tax deductions?**

If you're an employee of a trucking company and receive a W-2 at the end of the year, unfortunately, none of your job-related expenses are tax-deductible. If you're a self-employed driver, on the other hand, you can deduct expenses related to your work.

As an owner/operator, you should receive a 1099-NEC at year-end from any customer that paid you more than \$600 during the year. You'll use those 1099s, plus your own records of income and expenses, to report your trucking income and expenses on Schedule C. You may also need to complete Schedule SE to report self-employment taxes. You'll file both forms along with your Form 1040 tax return.

### **Common truck driver tax deductions**

Here are some common deductions you may be able to claim.

#### ***Association and Union dues***

Many truck drivers are part of a union or other trucking association. You can deduct any required fees to belong to a union or group, if they're required for business or help your trucking career.

Need to pay the FMCSA to keep your USDOT number updated? That counts as a business expense.

#### ***Cell phone/computer***

Phones, tablets, and laptops you use exclusively for work are 100% deductible, so you can claim the full cost of the device and your monthly data or internet plan. If you use the device for both business and personal purposes, you can only deduct the business percentage of your expenses.

#### ***GPS system***

Any type of GPS system you use while driving your truck is a write-off.

#### ***Clothing***

Clothing you wear for everyday use isn't deductible — even if you only wear it for work. But specialized clothing and safety gear required for your work, such as goggles or back braces, are tax-deductible.

### ***Education***

Many drivers pay for training to obtain or maintain a CDL license or other advanced certifications. As long as you use this education to improve your skills in your current line of work or it's required for your job, you can deduct the cost.

### ***Tools and equipment***

Any tools or equipment you need for your trucking business are deductible, including:

- Chains
- Tarps
- Ratchet straps
- Bungee cords
- Duct tape
- Tire irons

### ***Insurance***

In addition to the commercial auto liability and property damage insurance you're required to maintain on your truck, you may also purchase insurance to cover cargo or lost income due to a business interruption. You can deduct these premiums as a business expense.

You may also have to pay for your own health insurance coverage. This is deductible but not as a business expense. Instead, you deduct the cost of health, dental, and vision insurance for you, your spouse, and your dependents on Schedule 1 Form 1040.

### ***Meals***

Whether you can deduct meals depends on whether you drive locally or long distance. The first step is to determine your "tax home." This is usually your home address or business headquarters. You can only deduct meals while away from your tax home overnight, or at least long enough to require a stop to sleep or rest. This means local drivers can't deduct food and drink costs, but long-distance drivers can.

You have two options for deducting meals: the actual expense method or the per diem allowance. Deducting the actual expense method requires that you keep track of what you spend on meals, including tips and tax.

While the IRS allows most industries to deduct 50% of meals, drivers subject to the Department of Transportation's "hours of service" limits, can claim 80% of their actual meal expenses. The hours of service rule requires drivers who have driven a certain amount of hours to stop and rest for an assigned period of time.

The per diem method is less work. Instead of keeping expenses for every meal, you can deduct a set amount per day. That set amount varies depending on where and when you travel.

### ***Travel costs***

Other travel costs you incur while you're away from your tax home overnight (or long enough to require rest) are deductible. This can include:

- Hotels or other accommodations
- Tolls
- Parking

Although the IRS has a per diem rate for lodging in other industries, truck drivers are required to claim actual lodging expenses. They cannot claim the per diem rate the way they can with meal expenses.

### ***Medical exams***

Many drivers must get regular medical exams as a condition of their work. Out-of-pocket costs for these required exams are deductible business expenses. Other regular medical expenses, such as doctor or hospital visits and medications, are only deductible if you itemize deductions on Schedule A.

### ***Office expenses***

Traditional office expenses for your trucking business are deductible. This might include:

- Postage
- Paper and pens
- Calculators
- Faxing and photocopying
- Cost of accounting software, such as QuickBooks

### ***Personal products***

A lot of smaller purchases are necessary for life on the road. This might include a:

- Cooler or minifridge to store food and water
- Logbook
- Flashlight
- Cleaning supplies
- Bedding
- Alarm clock
- Sunglasses
- Gloves

You can also deduct expenses for showering or doing laundry while traveling for business. Keep track of these expenses, as they can really add up.

### ***Subscriptions***

If you subscribe to trucking-related publications, you can deduct the full cost of your subscription.

### ***Taxes and licenses***

You can deduct any taxes and licenses you pay for your business, including the Heavy Highway Vehicle Use Tax and the cost of maintaining a CDL license.

### ***Vehicle expenses***

The IRS considers a semitruck to be a qualified non-personal-use vehicle. This means you can claim all the actual expenses of operating the vehicle, including:

- Depreciation
- Fuel
- Insurance
- Loan interest, if you financed the purchase of your truck and trailer
- Registration
- Repairs and maintenance
- Tires
- Washing

While other business-use vehicles can use a standard mileage method for deducting vehicle expenses, this option isn't available to semitruck drivers.

### **What expenses aren't deductible?**

There are a few common costs of driving a truck that aren't deductible, including:

- Clothing that's appropriate for everyday wear
- Commuting costs between your home and business headquarters
- Home phone line
- Reimbursed expenses
- Travel expenses and meals on a personal trip

All in all, the main factor in whether an expense is deductible or not is whether it's ordinary and necessary for business and whether you have a record of the expense. Record-keeping is extremely important, so be sure to keep copies of receipts and other paperwork to back up the expenses you claim on your tax return.

### **How to Make the Most of Your Tax Deductions**

With so many expenses that qualify for truck driver deductions, you need to be able to track these business expenses carefully if you are audited. Owner-operators can be at higher risk for IRS audits, so having verifiable proof of expenses for your tax documents is critical. Small purchases throughout the day are easy to overlook, but they add up—and could significantly reduce your tax burden during tax season!

One of the biggest tips for making your income taxes easy is to keep organized throughout the year. Don't wait until the end of the year to try to make sense all your paper receipts! At least once a week, update your records and expense tracking.

A great option for staying organized is to use an app on your phone. There are apps where you can take photos of your receipts and organize them into categories to help track your expenses.

You can take advantage of a transportation management system (TMS) to help with overall tracking of your trips. They might not cover all your expense tracking, but they can help remind you when maintenance is due and organize invoices for self-employment tax payments.

### **Filing is Easy with KB Tax Adviser**

Owner-operator truck driver tax deductions can get complicated in a hurry. If you aren't sure about the specifics of what deductions apply to your situation, it's always a good idea to consult with a tax professional. **KB Tax Adviser** has experience helping truck drivers get the most out of their tax refund, including looking for any other credits you may qualify for, such as the earned income tax credit.

To get help with filing taxes, connect with our office today. Call (310) 866-5180 or fill out our form to schedule a free consultation with an experienced tax accountant.

***We'll help keep your trucking business on the road instead of stuck in the paperwork.***