

Road trip? Make sure Uncle Sam knows all the details



AT A GLANCE

You lose money on every business trip you take with your company's vehicle if you don't track its mileage for tax deductions — or you might not bill your customers for the miles you put on a vehicle to complete a job. Accurately track your company vehicle's mileage with QuickBooks Premier's vehicle mileage tracking feature.

To record, bill and report on our company vehicle's mileage, we'll:

- Add a vehicle for which we want to track mileage and set up an item for tracking billable vehicle mileage.
- Include the latest IRS Standard Mileage Rate in our QuickBooks company file.
- Record mileage information including the date, distance in miles, destination and, if necessary, billing information.
- Append the appropriate billable vehicle mileage costs to a customer's invoice.
- View a summary of your mileage by vehicle.

Gas prices are high and you should get every bit of the tax deduction you're entitled to for business vehicle mileage. If you're cheating yourself by taking shortcuts in your vehicle mileage records, you should learn about the vehicle mileage tracking feature available in the QuickBooks Premier edition. We'll show you how to keep an accurate log of your company vehicle's mileage — including billable mileage you plan to include in a customer's invoice.

Version restriction: This feature is available only in the QuickBooks Premier edition.

Prepare for your road trip

There are two tasks you need to complete before you begin tracking your vehicle mileage in QuickBooks: setting

up an item to assign mileage and entering your company vehicles.

Create a Vehicle Mileage item

If you're entering billable mileage, you need to assign it to an item in your company file.

To create the new item:

1. Launch QuickBooks and open your company file, or open a sample company file to follow along with us.
2. Choose Lists | Item List from the menu bar to open the Item List.
3. Press [Ctrl]N to open the New Item window and select either Service or Other Charge from the Type dropdown list. We'll choose Service.

Call for advice: This item can be a Service item or an Other Charge item. The difference is preferential, since it depends on how you've set up your other service and charge items. You should consult with us if you're unsure of which item type is best for your company file.

4. Enter Vehicle Mileage in the Item Name/Number text box and type a description in the Description text box.
5. Assign your vehicle mileage to an account by selecting it from the Account dropdown list, as shown in **Figure 1**. We'll choose the Automobile Expense account.
6. If you plan to charge a fixed rate for billable vehicle mileage to all customers, you can enter the rate in the Rate text box. Otherwise, leave

it blank to enter different rates for each customer.

- Click OK to add the item to your Item List.

Log individual vehicles

Now that you have an item ready for the mileage to which you'll bill clients, it's time to enter each company vehicle. This method is useful when you're reporting, since you can view your mileage by vehicle. Also, having separate vehicles helps you see which ones are getting the most use.

To add a vehicle:

- Choose Company | Enter Vehicle Mileage from the menu bar to open the Enter Vehicle Mileage window.
- Click the Vehicle List button to view the Vehicle List.
- Press [Ctrl]N to display the New Vehicle dialog box.

- For billable mileage, you need to set up a Service item or an Other Charge item in your Item List.

- Enter a name for your vehicle that makes it easy to distinguish from other company vehicles.

- Enter a unique name or number for the vehicle that will help you distinguish it from others. We'll enter the vehicle's make and model — *Ford Explorer*.
- Type a description for the vehicle in the Description text box, if you'd like. It may be a good idea to include its license plate number, as shown in **Figure 2**, or the vehicle's VIN number.
- Click OK to add the vehicle to the Vehicle List.
- Repeat steps 3-6 for any other vehicles you want to track.

Comply with IRS Standard Mileage Rates

To ensure that you're getting the correct deductible, you need to stay up to date with the most recent IRS Standard Mileage Rate. You can enter a new mileage

rate (and check that the current one is accurate) by clicking the Mileage Rates button in the Enter Vehicle Mileage window. As shown in **Figure 3**, the Mileage Rates window displays with any current rates and the date that they became effective. Enter a new date in the Effective Date text box and type the new rate in its corresponding Rate text box. You can also delete an obsolete rate by selecting it and clicking the Delete Entry button.

Record a business-related journey

It's time to actually record the mileage for a business trip. Let's suppose we've traveled from Baltimore, MD to Rose-dale, MD — a journey of about 10.85 miles each direction — to deliver goods to a customer who didn't want to wait for us to ship them. We'll record the miles and then add our delivery rate for the mileage to the customer's invoice.

To record the mileage for the business delivery:

- In the Enter Vehicle Mileage window, choose the vehicle you used for the trip from the Vehicle dropdown list.
- Enter the trip's start and end dates in the Trip Start Date and Trip

2007 IRS Standard Mileage Rates

The IRS has set a new Standard Mileage Rate effective January 1, 2007. The new rates for the use of company-related travel are as follows:

- 48.5 cents/mile for business miles
- 20 cents/mile for medical or moving purposes
- 14 cents/mile in service to a charitable organization.

The new rate is an increase of 4 cents/mile from the 2006 rate, mostly due to higher vehicle and fuel prices. For more information, check out the IRS website at **www.irs.gov**.

End Date text boxes. We'll enter 1/04/2008 in both text boxes.

3. Type start and end odometer readings in the Odometer Start and Odometer End text boxes if you know this information. If not, you can simply enter the mileage of the trip in the Total Miles text box, as shown in **Figure 4**.
4. Select the Billable check box if you're billing the mileage to a customer, as we are in our example.
5. Choose the customer from the Customer:Job dropdown list.
6. Select the Vehicle Mileage item you created earlier from the Item dropdown list.
7. Choose a class from the Class dropdown list if you'd like to track mileage by class (i.e., by location).
8. Enter the destination of the journey and/or the reason for the trip in the Notes text box.
9. Click the Save & Close button to save the mileage and close the window.

Include proof of estimated mileage

If you don't keep exact odometer readings when you take business trips, you probably look up the mileage between your company location and your destination on an internet map service, such as Yahoo! Maps or Mapquest.

Great suggestion: Enter a link to that information in the Notes text box so you can access the journey's mileage at any time, as shown in **Figure 5**. When you want to view the map again, just copy and paste the link in the Notes text box into your web browser.

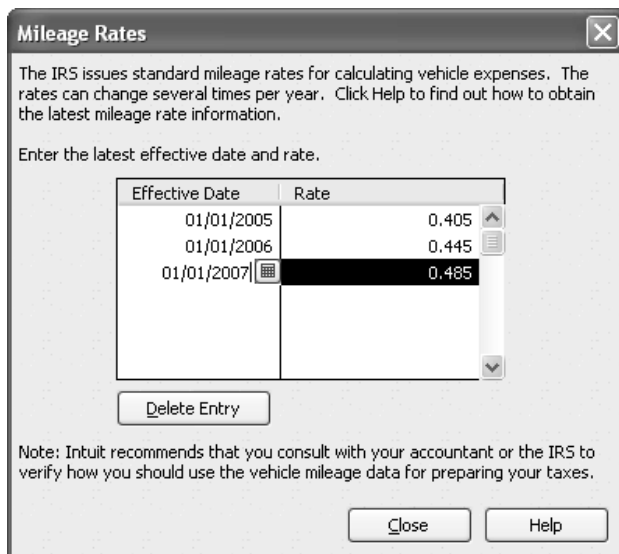
Add vehicle mileage to your customer's invoice

When it comes time to bill your customer, don't forget to include the mileage you used to deliver those goods.

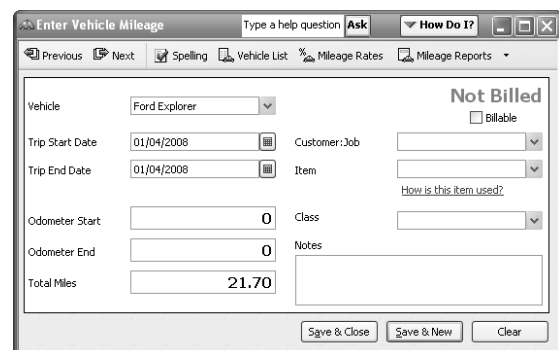
To assign vehicle mileage to an invoice:

1. Find the invoice to which you want to add the mileage and open it in the Create Invoices window.
2. Click the Time/Costs button to open the Choose Billable Time And Costs window.
3. Select the Mileage tab and choose the correct mileage record from the list by clicking in the Use column to its left, as shown in **Figure 6**.

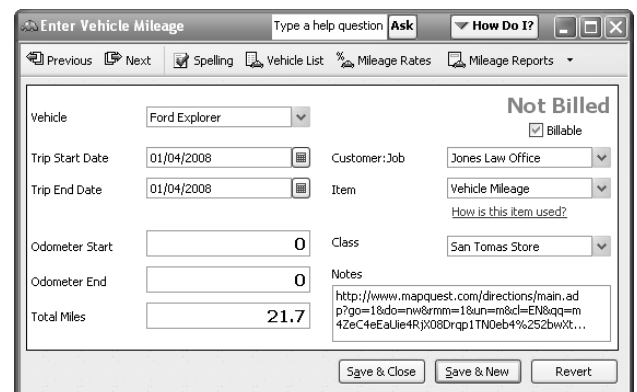
Leave out the notes: If you don't want to include the long URL you stored in the vehicle mileage record's Notes text box on your invoice, click the Options button in the Choose Billable Time And Costs window, select the Enter A Separate Line On The Invoice For Each Activity option button and then select the Transfer Item Descriptions option button. Click OK.



3: Standard Mileage Rates may change several times a year, so you should keep track of IRS updates.



4: You can enter an estimate of the mileage if you don't track odometer readings.



5: Keep a link to the map of your journey so you can justify your mileage estimate.

- Click OK to return to the invoice, where the vehicle mileage displays as its own line item.
- Enter a per mile rate in the line item's Price Each column or enter a flat rate in the Amount column. (QuickBooks automatically enters the mileage in the Invoiced column.) We'll charge 50 cents/mile, as shown in **Figure 7**.
- Save the transaction and close the window by clicking the Save & Close button.

Track your vehicle mileage with a report

There are four different reports you can access when you want to see where your vehicle mileage stands for the tax year: Mileage By Vehicle Summary, Mileage By Vehicle Detail, Mileage By Job Summary and Mileage By Job Detail.

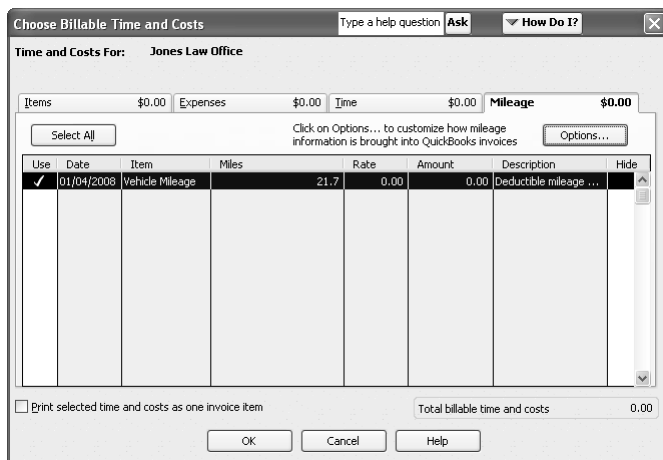
To access vehicle mileage reports:

- Choose Company | Enter Vehicle Mileage from the menu bar to display the Enter Vehicle Mileage window.

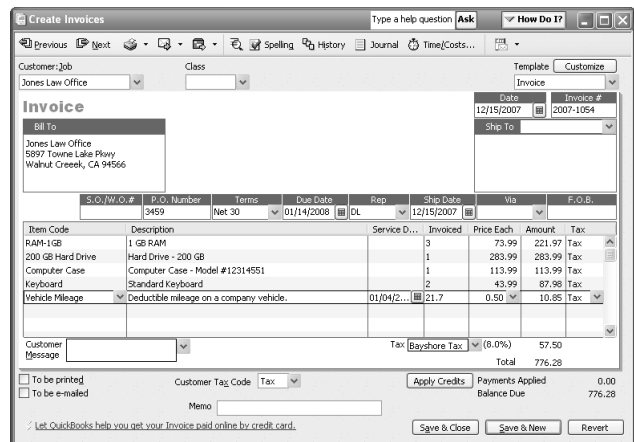
- Click on the dropdown arrow to the right of the Mileage Reports button.
- Select a report from the list to view it.

Alternative: You can also access these reports from the Reports menu. Choose Reports | Jobs, Time & Mileage from the menu bar and then select any one of these four reports.

By default, QuickBooks displays the mileage for the current tax year, but you can change that date range by choosing a new one from the Dates dropdown list, or typing in custom dates in the corresponding text boxes.



6: You can combine several mileage entries on an invoice if you'd like.



7: The billable vehicle mileage displays as a line item on your invoice.

From
The
Offices
Of:

DDF Consulting, Inc.

PO Box 97
Starke, FL 32091-0097