

Deducting Landlord Car Expenses

Here's what tax deductions are available to landlords who make local trips for their rental business.

By Stephen Fishman ([//www.nolo.com/law-authors/stephen-fishman.html](http://www.nolo.com/law-authors/stephen-fishman.html)), J.D.

(<https://store.nolo.com/products/landlord-tenant>)

The cost of traveling by car or other vehicle is deductible in the year incurred as an operating expense so long as the travel was ordinary and necessary for your rental activity—meaning common, helpful, and appropriate for your activity.

However, you can deduct car expenses only if your rental activity qualifies as a business or an investment for tax purposes. If you do a lot of driving for your rental activity, however, there's a good chance you are engaged in a business, not an investment. Investors usually don't do much driving to or from their rental properties or for other business purposes because (by definition) they are not actively involved in the management of their rental properties.

Travel Must Be for Rental Activities

You can deduct only local trips that are for your rental activities. Personal trips—for example, to the supermarket or the gym—are not deductible as transportation expenses. For example, you can deduct the cost of driving to:

- your rental property
- where you have your principal place of business for your rental activity, including a home office
- places where you meet with tenants, suppliers, vendors, repairpeople, attorneys, accountants, real estate brokers, real estate managers, and other people who help in your rental activity
- the bank where you do banking for your real estate activity
- the garbage dump where you haul refuse from your rental property
- a local college where you take landlord-related classes (educational expenses are deductible only if your rental activities qualify as a business or
- a store where you buy supplies or materials for your real estate activity.

Moreover, you don't have to do all the driving yourself to get a car expense deduction. Any use of your car by another person qualifies as a deductible business expense if it is directly connected with your business. Thus, for example, you can count as business mileage a car trip your employee, spouse, or child takes to deliver an item for your rental business or for any other business purpose. (Learn more about the many tax deductions (<https://www.nolo.com/legal-encyclopedia/top-ten-tax-deductions-landlords-29497.html>) to rental property owners.)

Driving From and to Home

Most local trips that landlords make for their rental activities start and end at home. Whether driving from home is deductible as an operating expense depends on whether you have a home office for your rental activity, and where you drive to.

Landlords Who Have a Home Office

If you have a home office that qualifies as your principal place of business, you can deduct the cost of any trips you make from home to another location for your rental activity. You can get a lot of travel deductions this way. For example, you can deduct the cost of driving from home to your rental property or to the bank.

To deduct the cost of driving to and from your home office, it must qualify as your principal place of business. The rules for the home office deduction are used to determine whether a home office is a person's principal place of business. Under these rules, a home office qualifies if it is a place where you perform management or administrative tasks. Practically any landlord can set up a home office to perform such tasks—but you may not use the office for any other purpose.

Landlords Who Don't Have a Home Office

If you don't have a home office that qualifies as your principal place of business, your transportation deductions will be limited by the commuting rule. Commuting expenses are nondeductible personal expenses. Commuting means driving from where you live to your main or regular place of work for your rental activity. For landlords, this means driving from home to their rental properties or to their outside office (if they have one).

Even if a trip from home has a business purpose—for example, to haul tools or supplies from home to your rental property—it is still considered commuting and is not deductible. (You may, however, deduct the cost of renting a trailer or any other extraordinary expenses you incur to haul the tools or supplies from your home.)

Once you arrive at your rental office or rental property, you may deduct trips to other rental-related locations. But not trips back home.

How Much Can Landlords Deduct for Car-Related Expenses?

If you drive a car, SUV, van, pickup, or panel truck for your rental activity (as most landlords do), you have two options for deducting your vehicle expenses: You can use the standard mileage rate or you can deduct your actual expenses.

The Standard Mileage Rate

To use the standard mileage rate, you deduct a specified number of cents for every mile you drive for your rental activity. The IRS sets the standard mileage rate each year. To figure out your deduction, simply multiply your business miles by the applicable standard mileage rate. Check the IRS website for the current rate.

The Actual Expense Method

Instead of using the standard mileage rate, you can deduct the actual cost of using your car for your rental activity. Although it requires more record keeping, you'll often get a larger deduction if you use the actual expense method instead of the standard mileage rate.

Nevertheless, many taxpayers choose the standard mileage rate because it's easier. You only need to keep track of how many miles you drive for your rental activity, instead of keeping track of how much you spend for gas, oil, repairs, and all your other car expenses. Moreover, if you don't drive many miles each year for your rental activity, the extra deduction you get from the actual expense method may not be worth the record keeping required.

Transportation expenses are a red flag for the IRS, so be sure you understand the rules for deducting car and local transportation expenses, including special record keeping requirements. For details, see Every Landlord's Tax Deduction Guide (<https://www.nolo.com/products/every-landlords-tax-deduction-guide-dell.html>), by Stephen Fishman (Nolo).