



The Ultimate Guide to Tax Deductions For Rideshare Drivers

Joseph Starzyk, CPA

My name is Joe Starzyk. I am a CPA and I specialize in tax return preparation, planning, and consulting for individuals and small businesses - particularly those taking part in the sharing economy. Though I make every effort to provide accurate information, tax laws are constantly changing. All information here is intended to be used only as a guide. Your situation may be different. As always, you should speak with your tax professional for advice.

If you are in the business of rideshare driving, there are several deductions available to help offset your income. I developed this guide to help drivers understand many of the tax deductions they may be entitled to. By no means is this list all-inclusive. Also keep in mind, some items listed here may not apply to all drivers.

I've divided the guide into 3 sections: business expenses, actual expense method deductions, and the deductions for the standard mileage rate.

This first list comprises of all rideshare business expense deductions that I could come up with that are deductible regardless of whether you use the actual expense method or the standard mileage rate for deducting auto expenses. Following each item is a brief discussion of the deductibility of the expense:

- **Cell phone rental** - If you rent a phone for the sole purpose of using while you're driving, the cost is 100% deductible.
- **Personal cell phone expense** - On the other hand, if you use your personal cell phone to conduct your rideshare driving, a portion of your cell phone bill is deductible. You must determine a reasonable method to allocate the expense between personal and business. For example, you could look at your phone's data usage to help give you some clues. The percentage will be different depending on your circumstances, ranging anywhere from 5% to 90%. Only the business portion is deductible and you should be consistent.
- **Phone chargers** - If you bought a phone charger to use in your car for rideshare driving, this is currently deductible.
- **Phone stands/mounts/other accessories** - Same as phone charger - if bought to use for rideshare driving, this is currently deductible.
- **AAA or other roadside assistance membership** - Purchasing a roadside assistance membership for your rideshare driving business is 100% deductible. However, if you already had a membership prior to rideshare driving, you may want to consider allocating it between personal and business usage. You could use the personal and business mileage driven for the year, for example, to allocate the expenses between the two.



- **Prescription eye glasses/contacts used only for driving** - If required for driving, allocate between personal and business use. The business use portion is deductible.
- **Snacks/water** - If you purchase snacks and/or water solely for your riders, deduct these costs in full. Don't forget to hold on to your receipts.
- **Car washes** - Any additional car washes incurred because of your rideshare driving are deductible. For example, if you typically washed your car every 3 weeks, but after driving for Uber you have to wash it every week - then you would deduct 2 of every 3 car washes. Otherwise, car washes are generally included in your auto expenses (actual expense method or standard mileage method).
- **Car cleaning/detailing** - See car washes.
- **Air/car freshener** - If bought for your rideshare driving, deduct these costs in full.
- **Personal property taxes** - Does your city or town charge a personal property tax on your vehicle? A portion of it can be deducted as a business expense. You can use the mileage driven to allocate this expense (note: the rest of the deduction would get allocated to Schedule A if you are itemizing your deductions for the year).
- **Loan interest** - Deduct the business portion of interest paid on a loan that is secured by your vehicle.
- **Parking fees** - Deduct if incurred while rideshare driving.
- **Tolls** - Deduct tolls paid while rideshare driving. Also, include tolls between passenger pick-ups and drop-offs. Tolls paid prior to starting and after ending rideshare driving are usually deductible as well, so long as rideshare driving was the purpose of your trip.
- **Fees/commissions** - Deduct the fees and commissions that your rideshare company automatically takes out of your earnings. Your earnings will be reported to you in gross, and must be reported on your tax return in gross. Therefore, don't forget to deduct these fees/commissions.
- **Siri or other in-car entertainment** - Did you purchase a subscription for your riders' enjoyment? Deduct this cost.
- **Magazines** - See Siri above.
- **Tax prep fees** - A portion of your tax prep fees can be allocated to Schedule C. This is true if you use a tax preparer, or if you purchase software to do your taxes on your own.

The next list shows you the expenses that are typically included in the actual expense method for deducting auto expenses. Many are self-explanatory and do not require further explanation:

- **Oil changes**
- **Garage rent for car storage**
- **Gas**
- **New tires**
- **Mechanical/cosmetic repairs**
- **Depreciation** - This is subject to annual luxury auto limits and your depreciation method may differ depending on the business use percentage.



- **Lease payments**
- **Licenses** - Items such as your driver's license (allocated) or 100% of your private hire vehicle license.
- **Insurance** - Deduct a portion of your regular insurance, or 100% of your ride-sharing insurance.
- **Vehicle registration fees** - Examples include inspection fees, license plate fees, and other state registration fees.

The standard mileage rate is often the best choice for rideshare drivers. Most drivers will end up with a higher deduction using the standard mileage rate. But which miles are deductible? The following list will get you started in the right direction:

- **Fare mileage** - This is the mileage driven while you have passengers in your vehicle.
- **Between pickups** - While working, include the mileage driven between passenger drop-offs and pick-ups.
- **Driving to destination area** - Don't live in a good zone for rideshare driving? If you are heading out for the sole purpose of doing some rideshare driving, deduct the mileage driven to get there.
- **Return trip mileage** - Follows same logic as driving to destination area.
- **Making a trip to the gas station**
- **Making a trip to the store to get supplies** - By supplies, this would include items for you, your car, or your passengers for rideshare driving.

It's important to note that tickets and fines are not deductible, regardless of when or how they were incurred.

If you haven't already, check out my website to learn more and for special tips that can help save you money on your tax return. Please visit starzykcpa.com to get in touch with me or you can e-mail me directly at joe@starzykcpa.com. **Bonus:** mention this publication to lock in an exclusive low rate and secure me as your tax preparer for the upcoming filing season.

I will conclude by saying - keep good records! Hold on to your receipts, maintain an adequate mileage log, and try to keep a neat set of books to help ensure you get all deductions you are entitled.