

June 2019

## Q&A: Can the IRS Require Odometer Readings with the Mileage Rate?

### **Question**

I have a client who is under IRS audit for his business mileage. He claimed his business miles at the IRS optional rate.

The IRS has requested odometer readings for his vehicle. Is this proper? Does my client have to provide odometer readings when he is claiming his business vehicle deductions using the IRS optional mileage rate?

### **Answer**

The tax code says that your client must substantiate his business vehicle deductions by adequate records or by sufficient evidence corroborating his own statement, including the time and place of the travel and the business purpose.<sup>1</sup>

The standard mileage rate does not reduce the need for vehicle mileage records. In other words, the need for the records that prove business mileage does not change when you use the IRS standard mileage rate. They are the same mileage records you need with the actual expense method.

### **IRS Audit Manual**

Here's what the IRS, in its *Internal Revenue Manual*, tells its examiners to do when looking at business miles:<sup>2</sup>

*To verify total miles for the year, the taxpayer should provide repair receipts, inspection slips or any other records showing total mileage at the beginning of the year as well as at the end of the year.*

## **Takeaways**

The burden of proof is on the taxpayer.

The IRS is simply asking your client to prove his mileage as required by the law. The request for the odometer readings at or near the beginning and end of the year is a reasonable request.

If your client can prove mileage without the odometer readings, then he won't have to provide the odometer readings to the IRS.

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1 IRC Section 274(d) 2018.

2 IRM 4.19.15.23.1, Paragraph 15, (09-25-2017); note in 4.19.15.31.1 (03-11-2019) that the rules for the Schedule C taxpayer are the same as those found in Paragraph 15.

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