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Internal Revenue Manual Section 4.19.15.31.1 (03-11-2019)

Schedule C - Car and Truck Expenses

1. The rules for a sole proprietor are the same as for an employee business expense (except that there is no accounting to another party). The expenses must be incurred in the conduct of the business. The taxpayer must show by diary, log or other means how many business and total miles were driven in a tax year. If the taxpayer is claiming actual expenses, records must be maintained to establish all the costs associated with the operation and maintenance of the vehicles as well as documentation to support the computation of the business use percentage. In addition, if the business use percentage is not greater than 50 percent there may be limitations imposed on certain expenses. Special rules apply for leased vehicles. Examiners must comment on personal usage of the vehicles in the workpapers.
2. Form 886-A Schedule C-5, *Car and Truck Expenses*, will be sent to request substantiation documentation for car and truck expenses claimed on Schedule C, and will include Schedule C-5, Car and Truck Expenses questionnaire.