

# Travel Out of Town and Automobile Expenses

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## *Transcript of Tax Seminar with Sandra Karas – Part 3 of 4*

Hey, Equity sisters and brothers. It's Sandra Karas. I'm your Secretary/Treasurer. And I'm recording some tax information for those of you who weren't able to attend one of the tax seminars that I've been running around the country presenting. I wish I could have seen you all in person, but Equity decided to record these and put them on the member portal for your benefit, and I hope they help you. If you have any questions about any of this information, about any of these segments, you can call us at the VITA office, that stands for Volunteer Income Tax Assistance, at 212-921-2548.

But if you go into the website and into the portal, you'll see all these worksheets, in fact, I've been referring to them in the various segments, they're all listed there, and the phone number is also listed there. I happen to be the chair of the VITA committee and the director of that program. I'm really happy to present this information to you because I feel that the more we educate each other, the more we can help each other. So it's all about solidarity, even taxes is about solidarity.

So this segment is going to cover out of town expenses and automobile expenses. So the first segment is-- and this is one of the worksheets on the portal, it's called, oddly enough, out of town expenses, how clever are we-- and it says expenses incurred while working or looking for work requiring overnight stay. That means you have to stay overnight, right?

So it's not just the transportation that you're doing hither and yon all around your city, or the area where you audition and where you get most of your work. It doesn't even include anything where you might have to go out of town to do some work and come back the same day. That's not an out of town job. It's not considered travel by the IRS. When you stay overnight, they call it travel. When you're staying in town, they call it transportation. Go figure.

Anyway, so let's look at this form, this is pretty easy. The layout is simple. We have some lines here that correspond to columns at the bottom. And as I've said before in other segments, you can use these worksheets anywhere in the country, with any accounting firm, or if you're savvy enough to do your own taxes, you can use this yourself. You can take it to another VITA center and they might be able to help you there.

So let's look at this. Notice-- excuse me, on all these forms, if you're married you have to use two separate forms, because you want to make sure that you're not combining your expenses with your spouses. And probably your accountant can split the return and see whether or not filing jointly or filing separately might benefit you. Since you won't know until you get it all done, we always recommend that married couples keep all of their expenses separate. And that applies to this, to the auto expenses, and to the business expenses.

So we put the employer and/or out of town addresses where you traveled-- include the city and the state. Why do we need to know that? Well, the IRS says that they need to know what city and state you were in if you want to take a standard meal allowance. Yes, the IRS has a standard meal allowance in every city and state across the country. There's a default amount if it's not listed in one of the high cost places. And you can look them up on the Department of State website and find whatever cities you are in, and you'll find the standard meal allowance. So that's why we need to know.

When were you there? How many nights did you stay? And then the last line here is, how much per diem did you receive? Were you reimbursed? Were you given a weekly amount to offset some of these costs? Were you given a daily amount to offset some of them? We'd want to know that because that will impact what the deduction is. So you put that information here, and then in the corresponding column, we ask you if you had to pay for the airfare, the train, or the bus fare to get there.

Now if you're looking for work, if you're sending yourself to a city to audition, because you'd rather not put yourself on tape, and you want to go in and audition, or they've asked you to stop by, and they said, we'll make ourselves available if you can get here. Well, you get there. You buy your plane ticket, you book your hotel, you rent a car, you do whatever it takes, because you really want to be seen by that theater, or that employer. So if you're footing the bill, then you put your travel, your lodging, tips and gratuities, laundry, local transportation, auto rental, and the costs associated with renting a car, and any other out-of-pocket expenses.

If you're under a contract, chances are very good that the travel to get you there and the lodging is covered as part of your contract. But you still have incidental expenses, don't you? And you still have meals. Now whether or not you get reimbursed with a per diem or some kind of allowance, is dependent on the kind of work you do and the contract you're working under. So we ask you to give us all this information. The total expenses excluding meals would go here.

And then the meals it says, the preparer will take a standard allowance, but the taxpayer should save receipts in the event of a state audit. What is that all about? Well, we've seen these in the last year. States are auditing tax returns. That's not as big a surprise because they need money too, and they figure some of these audits are going to be fruitful. But what about those meal allowances? Well, they say, well, we don't have to conform to the federal daily rate. So we want to see the actual receipts.

So save your grocery receipts, save your restaurant and wherever you're eating, save those receipts. If you can't always get one, put it in your diary somewhere. If you're splitting breakfast with some people, then make a note that yours was \$12 plus tax and tip, whatever it was-- that's kind of an expensive breakfast-- anyway, so you'll be able to keep track of it that way. But get receipts if you can, it's really important in the event you're audited. So that is the out of town expense sheet.

Now why do we separate meals from all these other ones? Well, meals and entertainment are treated on a tax return with a 50% allowance in the deduction, not 100%. So if you've spent \$75 on business entertainment treating some agent, manager, director, whoever it is, or you have your

own out of town meals, the government will give you half of those on the tax return, with the idea being well, you were eating too and you would have had to eaten, so we're just going to cut them all in half. That's it.

Business entertainment and meals while you're traveling are treated with 50%. However, you take the full 100% amount when you're preparing the return, and that 50% will automatically be calculated. That's why we don't include it with any of the other expenses, that's the reason for that.

Next, we're going to talk about automobile expenses, and what you need when you're using your car for business. Most of us in the United States depend on our automobiles to get everywhere, yes, and do everything. It's only in a few cities where public transit is so good and somewhat reliable that we take subways, and buses, and commuter trains, and the like, but for most of us, we depend on our cars to go everywhere.

And the IRS says, yeah, if you're going to take some of this expense for business purposes, you're going to have to keep pretty good records. This is the most onerous recordkeeping of all. Automobile expenses may be deducted on a tax return, to the extent that you have a log that is contemporaneous. And what that means is, you've got to keep it all the time. It's a daily log that I say, put in your calendar.

Now there's some great mileage apps that you can use, and a lot of members use them to track their mileage going to auditions, going to the union hall, going to wherever they're going, that is business related. Are you're going to see a show for research? Are you going to a class? Are you going to attend some kind of a lecture that you need to do just to stay current with something because you're auditioning for something soon? Are you going to an interview?

So all of those things, any kind of job search-- and we've listed some of them here, looking for work locally or out of town. If you're working out of town overnight, and you take your own car because you don't want to have to use local transportation while you're there, those miles can be deductible. Driving between two jobs on the same day-- we don't see that very often, but some of you, you have a civilian job during the day, and then you drive from there to the theater and you work at night. So that mileage between the two jobs on the same day is fully tax deductible. Are you going to a class, or a course, are you doing research? Keep track of those miles.

And you're going to have to do it in some contemporaneous log, some way that is provable, that is substantiated. And by that I mean, you have to be able to show someone like an examiner, an auditor, how you came up with those miles. You can't just say, oh well, I just know what I do every week and I added up just a list for you. No, they want to see it in your diary, or in an app with dates attached.

So I always say, your calendar is your best friend. It's got all your appointments in it. It's got all the times that you're going to the theater to do research, or seeing a show, a concert, something that's related to your work. It's got every class you have to attend. If you're going to a pay for play studio to meet casting directors, it's got that in there. And it's got your appointments with

your friends, your doctors, things you're going to be doing with mom and pop, or your girlfriend, or your boyfriend on the weekend, it's got all that stuff in there.

So keep that calendar, it can be your best friend. And it can be that contemporaneous log. And what does the government want to see? Well, our form is kind of abridged, because we don't accommodate actual expenses. And the reason we don't is because most people, more than 90% of the people we see, and the actors we know, and stage managers, do not use their cars more than 80% or 90% for business. If you did, you wouldn't use this simplified sheet.

You'd have to use a sheet that has all of your actual expenses, depreciation on an automobile, and so on, because it would be worth it to you. However, with \$0.53 a mile, if you keep track of your business miles, then you get a pretty good deduction, and your actual expenses on a pro rata basis would not be as high. That's why we use this. So they want you to tell them the year, make, and model of the car. When did you first start using it for business? How many miles did you drive last year, the total mileage from January 1 to December 31?

How do you know that? Well, you have to look at your odometer, don't you? And I always recommend, take a picture of it. And take a picture of it that has some kind of a date stamp if you can. And keep your service records any time you take your car in to be serviced, have your oil changed, your tires rotated, new wipers, an inspection or repair, whatever it is, keep those service records, because it'll track your odometer throughout the year, and that'll help you to arrive at your total amount. And then on December 31, you're going to log in your odometer reading, and you should have a pretty good contemporaneous assessment of what you've done, in terms of the miles that you've driven all year.

Commuting miles, do you have a regular civilian job that you go to every day? That's pretty easy to figure out. And you can figure out how many commuting miles you drove last year. Business miles, those are the ones we talked about. How many of all this driving you did were to look for work, to do that research, to go to a class, to drive between two jobs, to take your car out of town, if you have an out of town gig. Keep track of those miles and again, your calendar is your best friend.

And then beneath this, below this, we have charitable miles, medical miles, and moving miles. Remember, we talked about moving in another segment. If you move more than 50 miles for work, you should put your medical miles-- I mean, you're moving miles down here, so that you won't forget them. We talked about the medical miles in another segment. Keep track of those here. Charitable miles, the same thing. Do you have a regular charitable organization, gig that you go to where you read to children, or you do something, you don't get paid, don't forget those miles can be tax deductible.

And then last but not least, what's left? Personal. Yeah, that's the stuff where you meet your friends for a beer, you go visit your family. Business parking and tolls, medical parking and tolls, and charitable parking and tolls, they're all tax deductible as well. Don't forget those. That's your automobile expense, and it can be a very valuable deduction, especially if you live in a city where you have to drive a long, long way just to look for work. So don't forget that.

