



Rideshare Taxes: What Your Tax Volunteers Should Know

Training Reference Guide

Presented by the Center on Budget and Policy Priorities' Get It Back Campaign

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Why Does This Matter?

Many rideshare (Uber or Lyft) drivers:

- Are eligible for free tax filing
- Don't realize they are self-employed, owe taxes, and need to make estimated tax payments
- May not know they need to keep records to deduct expenses or whether they need to file

Income

- Places to find income information:
 - Driver's own records and receipts, if any
 - Uber or Lyft account summaries
 - Form 1099-MISC, issued to independent contractors
 - Box 7 contains Non-Employee Compensation
 - Both Uber and Lyft will only issue a 1099-MISC if the driver earns at least \$600 directly from the company—e.g. referral payments, “join and support” payments. Rider fares are not counted.
 - Even if a 1099-MISC is not issued, drivers still must report that income on their tax return
 - Form 1099-K covers all third party transactions including rider fares
 - Uber only issues a 1099-K if the driver made more than \$20,000 in rider fares AND provided at least 200 rides
 - Uber rarely issues 1099-Ks
 - Lyft will only issue a 1099-K if a driver made over \$600 in rider fares
 - Box 1a contains total third party transaction earnings
 - Monthly numbers don't add up to the number in Box 1a because Uber/Lyft fees and expenses are included in the total
 - Report box 1a total on the return, deduct but fees and expenses

- Tax forms don't have enough information. Also needed:
 - Uber Tax Summary
 - Gross Earnings: includes total trip earnings and other earnings—this is gross income
 - Expenses, Fees, and Tax Table: details the deductible fees that (would be included in the 1099-K)
 - Lyft Driving Summary
 - Gross Ride Payments: total income from ride payments (would be on the 1099-K)
 - Total Non-Ride Payments: includes other categories of income (would be on the 1099-MISC)
 - Income from driving is taxable whether 1099 forms are issued or not.
 - Since people often drive short-term and forget about that income, asking clients lots of questions during intake and interview is critical.
 - Where to find forms:
 - Uber forms are only available online, not in app
 - Go to partners.uber.com
 - Go to the “Tax Information” page
 - Download:
 - 2018 Tax Summary
 - 1099-K (if provided)
 - 1099-MISC (if provided)
 - Lyft forms are available in app and online
 - In app:
 - Open app
 - Tap profile photo in the top left corner
 - Tap ‘Dashboard’
 - Tap the menu icon in the upper corner of the screen
 - Tap the "Tax Information" tab
 - Available 1099s will appear under "Tax Documents and can be downloaded
 - Lyft Driver summary
 - Online Dashboard:
 - Log into Dashboard at <https://www.lyft.com/drive/dashboard>
 - Click on ‘Tax Information’
 - Available 1099s will appear under “Tax Documents” and can be downloaded
 - Lyft Driver Summary

Expenses

- Inaccurate info about deducting expenses leads some taxpayers to think they can deduct things that they cannot
- The IRS examines tax returns with Schedule Cs closely, so err on the side of caution
- Business deductions must be:
 - Ordinary – expenses that are common and accepted in the taxpayer’s line of work AND
 - Necessary – expenses that are helpful and appropriate for a particular trade or business
 - Major expenses for drivers should be related to their cars
 - VITA and Tax-Aide sites limit for business deductions is \$25,000
- Two choices of vehicle deductions that clients can choose from—Standard Mileage or Actual Car Expenses:
 - Standard Mileage
 - \$0.545 per mile (2018)
 - Easy to calculate, often gives a large deduction

- Tolls
 - Parking
 - Business percentage of auto loan interest
 - Personal property taxes (if state requires)
 - Mileage that can be deducted:
 - Miles spent driving passengers
 - Miles driven to pick up passengers
 - Mileage returning from drop-off points to a hub to wait for another ride request
 - Other business-related mileage
 - Mileage that CANNOT be deducted:
 - Miles driven to/from the driver's home (commuting miles)
 - Miles driven on personal errands (e.g. getting lunch)
 - Apps tend to record all miles driven while they are on, overlogging mileage. Drivers must keep their own mileage logs.
 - Actual Car Expenses
 - VITA and Tax-Aide sites CANNOT calculate Actual Car Expenses
 - Requires a lot of recordkeeping and receipts
 - May be worth it for drivers with especially high car costs—e.g. luxury vehicles or lease payments
 - Includes:
 - Car expenses may need to be allocated—the percentage of miles driven for business use is multiplied by vehicle expenses
 - Uber
 - Allocable [* items included in standard mileage rate]:
 - Property taxes
 - Interest on auto loan
 - Lease payments*
 - Fuel, oil, and tires*
 - Repairs and maintenance (including car washes)*
 - Insurance*
 - Registration and tags*
 - Parking
 - Fully deductible:
 - The Uber fee
 - Uber provided device subscriptions
 - Tolls incurred during on-trip mileage
 - Black Car Fund fees
 - City fees
 - Airport fees
 - Split fare fees
 - Safe ride fees
 - Lyft
 - Allocable [* items included in standard mileage rate]:
 - Property taxes
 - Interest on auto loan
 - Lease payments*
 - Fuel, oil, and tires*
 - Repairs and maintenance (including car washes)*
 - Insurance*

- Registration and tags*
 - Parking
- Fully deductible:
 - Lyft commission fees
 - Express Pay fees
 - Tolls incurred during on-trip mileage
 - Rental fees
- Present Standard Mileage vs. Actual Expenses to clients as a choice they make
- Be conservative around what is counted as business miles
- Other deductible expenses [may be allocable if not just for business use]:
 - Cost of phone
 - Phone service plan
 - Repairs
 - Accessories, such as charges, cables and mounts
 - Snacks and refreshments for passengers
 - Electronic toll transponder
 - Floor mats
 - Office supplies
 - Dash cams
 - Car tool kit
 - First aid kit
 - Tire inflator and pressure gauge
 - Portable batter jump pack
 - Flashlight and flares
 - Business taxes and licenses
 - Additional (non-auto) business insurance
 - Roadside assistance plans
 - Music apps
 - Fees for background checks
- Calculating the Standard Mileage deduction from Uber/Lyft summaries
 - Lyft:
 - $\text{In ride miles} + \text{out of ride miles} + \text{any additional miles} * \text{Standard Mileage rate} = \text{Deduction}$
 - Lyft commission and tolls are fully deductible fees
 - Uber:
 - $\text{Driving Totals miles} * \text{Standard Mileage rate} = \text{Deduction}$
 - Total Expenses Fees and Tax are fully deductible fees
 - Do not report the number in Box 1a on the 1099-K form as income without deducting fees. This overstates income.

Recordkeeping

- Stress to clients that they are a small business and are responsible for keeping track of their records.
 - Need a system, whether it's an accordion file, a spreadsheet, or an app
- Types of records:
 - Bills
 - Credit card statements
 - Other receipts
 - Invoices
 - Mileage logs
 - Canceled, imaged or substitute checks or any other form of payment
 - Account summaries
- Mileage logs should include:
 - Date
 - Destination/area
 - Business purpose
 - Miles for trip (ideally starting/ending odometer readings)
 - Description
- Clients can use apps such as Expensify, Quickbooks, MileIQ, Stride, and SherpaShare to track mileage

- The IRS does not accept Uber or Lyft app records as mileage logs in case of audit
- Reconstructing records:
 - Very difficult if the client has not kept records
 - Use Uber/Lyft statements as a starting point
 - Err on the side of caution estimating mileage
 - If the prior year return was filed using better records, that can be used as reference if client drove the same amount

Other Tax Issues

- Emphasize to clients that they are a self-employed small business, not an employee
 - Getting a 1099 instead of a W-2 makes them self-employed
 - Showing them the “Independent Contractor or Employee?” chart can help (slide 42)
- Drivers owe self-employment tax
 - Additional tax that self-employed individuals pay to the federal government to fund Medicare and Social Security
 - Due when an individual has over \$400 in self-employment income in a year
 - Self-employed individuals contribute both the “company” and “employee” share of the tax
- Self-employment tax rate
 - Tax rate is 15.3% in 2018
 - Tax is figured on Schedule SE, should be automatically calculated on tax software
 - Half total amount of self-employment taxes is taken as an adjustment on Form 1040
- Employees and business income
 - Even if a driver works another job where they have taxes withheld, those withholdings may not cover SE tax
 - SE tax is an additional tax added after income tax liability is calculated
 - It is possible for income taxes to be paid while self-employment taxes are owed
 - Only refundable credits and withholdings will pay down SE tax
- Quarterly estimated tax payments
 - A way to avoid paying a large amount of SE tax at tax time
 - Usually paid in 4 equal payments throughout the year using Form 1040 ES, but can be paid monthly like a bill if it is helpful to drivers
 - Estimated tax payments are mandatory if taxpayer expects to owe at least \$1,000 on their 2018 return AND taxpayer expects withholding and refundable credits to be less than the smaller of 90% of 2018 tax or 100% of 2017 taxes
 - Drivers should keep records to show they made these payments

Top Takeaways for Volunteers to Tell Drivers

- Rideshare drivers are small businesses
- Tracking expenses is critical, especially mileage
- Drivers need to pay self-employment tax
- Make estimated tax payments, if possible
- File taxes—the IRS is watching carefully

Tools and Resources

- [Roadmap to Rideshare Taxes Cheat Sheet](#)—aimed at drivers and useful for volunteers, includes basics and deductible expenses list
- [Rideshare Tax Organizer](#)—form that identifies all elements needed to file; can send to clients beforehand to make filing easier
- [RideshareTaxHelp.com](#)—website that covers everything in this training. Also, will include Quarterly Estimated Tax Payments Calculator

Questions

1. Q: Clients sometimes get 1099s from both Uber and Lyft. Can they be combined for filing?
A: Yes. They all go under the 6-digit business code for driving. Everything can go on one Schedule C if they're all the same industry.
2. Q: Do drivers need a mileage log to file taxes?
A: No, a mileage log is not necessary to file, but it is helpful for preparers. The IRS will require a mileage log in case of audit.
3. Q: Is the \$25,000 limit for business deductions just for Uber/Lyft, or is it for Schedule C in general?
A: Schedule C in general, for both VITA and Tax-Aide sites.
4. Q: In California, drivers are required to have business-specific car insurance. Is that fully deductible?
A: Yes. In states that require separate insurance, that insurance is fully deductible.
5. Q: Drivers might be coming in at a loss when including taxes, right?
A: Yes, which is why recordkeeping to see if there is any profit is so important. VITA and Tax-Aide cannot help with filing at a loss.
6. Q: Are snacks and refreshments entertainment and meals, or supplies?
A: If they are for passengers, then they are supplies and their cost can be deducted.
7. Q: Are repairs part of the mileage allowance?
A: Repairs are separately deductible only when taking actual car expenses. Repairs are included in standard mileage. If a driver had major repairs on their vehicle, that may make taking actual expenses worth it.
8. Q: Drivers might live 45 miles away from where they do Uber/Lyft. Is all of that drive commuter miles, or is it deductible?
A: It may be tricky, for example when driving from home to a hub. Err on the side of caution. It is better to not deduct the total mileage.
9. Q: Since standard mileage includes depreciation, doesn't that make car leases over 30 days out of scope for VITA?
A: Technically, yes. That would require actual expenses.
10. Q: Can drivers adjust withholdings through an employer to cover self-employment tax?
A: Yes, and it's a good way to pay SE tax. They can add extra withholding on their W-4.
11. Q: How would the new tax law affect drivers? Can they take the 20% Qualified Business Income deduction?

A: Yes, all VITA clients would qualify for this deduction. Hopefully, the tax software will calculate this automatically. It's figured on Form 1040, not the Schedule C.

12. Q: Are Uber/Lyft tax summaries sent to the IRS?

A: No, but the IRS has ways of finding information, and do a lot of comparison.

13. Q: Low-Income Taxpayer Clinics follow the 90/10 rule for scope, where 90% of clients helped should be within guidelines and 10% can be out of scope at the discretion of the program coordinator. Are VITA sites the same?

A: It's not written anywhere, but many programs have that approach. It depends on the site's level of comfort. Out of scope work is not covered by Good Samaritan insurance.

14. Q: What should Uber/Lyft drivers list as their occupation?

A: Driver or rideshare driver.

15. Q: Does reporting expenses under "Other" instead of something specific make an IRS audit more likely?

A: Schedule Cs are already flagged for a closer look. Being vague can also warrant examination. Other red flags include all numbers ending in 0 or having the exact amount to get the maximum EITC.

16. Q: Is income under \$600 reported to the government by Uber and Lyft even if the taxpayer doesn't get a form?

A: Yes, the IRS knows even if the taxpayer doesn't get a form.