



## Rideshare Taxes: Resources, Expenses, and Q&A

### *Training Reference Guide*

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

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#### **Roadmap to Rideshare Taxes**

- Comprehensive tax resource for Uber, Lyft, and other rideshare drivers
  - Accessible resource they can find and use online

#### **Resource Links**

- **Resources and training for VITA staff and volunteers:** [www.ridesharetaxhelp.com/tax-prep](http://www.ridesharetaxhelp.com/tax-prep)
- **Web pages:**
- How Do Rideshare (Uber and Lyft) Drivers Pay Taxes? (Rideshare Tax Basics)
  - [ridesharetaxhelp.com/pay-taxes](http://ridesharetaxhelp.com/pay-taxes)
- How Do Uber and Lyft Drivers Count Income? (Counting Income)
  - [ridesharetaxhelp.com/income](http://ridesharetaxhelp.com/income)
- Tax Deductions for Rideshare (Uber and Lyft) Drivers (Business Expenses)
  - [ridesharetaxhelp.com/deductions](http://ridesharetaxhelp.com/deductions)
- How to Claim the Standard Mileage Deduction (Standard Mileage)
  - [ridesharetaxhelp.com/mileage](http://ridesharetaxhelp.com/mileage)
- Actual Car and Truck Expense Tax Deductions
  - [ridesharetaxhelp.com/actual-expenses](http://ridesharetaxhelp.com/actual-expenses)
- Quarterly Estimated Payments Due Dates (Estimated Payments)
  - [ridesharetaxhelp.com/estimated-payments](http://ridesharetaxhelp.com/estimated-payments)
- A Step-by-Step Guide to Filing Rideshare (Uber or Lyft) Taxes
  - [ridesharetaxhelp.com/tax-guide](http://ridesharetaxhelp.com/tax-guide)

- **Tools:**
- Estimated Payments Calculator - [ridesharetaxhelp.com/calculator](https://ridesharetaxhelp.com/calculator)
- Rideshare Tax Cheat Sheet - [ridesharetaxhelp.com/cheatsheet](https://ridesharetaxhelp.com/cheatsheet)
- Tax Organizer - [ridesharetaxhelp.com/organizer](https://ridesharetaxhelp.com/organizer)
- Business Expense Tracker - [ridesharetaxhelp.com/tracker](https://ridesharetaxhelp.com/tracker)

### [Rideshare Tax Resources for Tax Preparers](#)

- One page with all the links to resources that tax preparers need

### [\(Training\) Rideshare Taxes: What Your Tax Volunteers Should Know](#)

- This is a good place for tax preparers to start, especially if they do not know a lot about rideshare taxes
- Includes presentation slides and notes
- Can be a useful tool to help structure your VITA training

### [How Do Rideshare \(Uber and Lyft\) Drivers Pay Taxes?](#)

This primary resource covers every topic you need to know

- Send clients here if they need more information
- Includes many pages that go into detail on how to file rideshare taxes:
  - [How to Count Income](#)
  - [Tax Deductions](#)
    - One of the more important pages
    - Addresses the concerns many people have tracking business expenses and identifying tax deductions
    - Includes many graphics to make it easier to understand
  - [Quarterly Estimated Payments](#)
    - Explains how and when to pay them
    - [Estimated Payments Calculator Tool](#)
      - Simplified version
      - Advanced version
- Many resources that you can use:
  - [Roadmap to Rideshare Taxes Business Cards](#)
    - Distribute when you are unable to give people a bunch of information and want to direct them to the website
  - [Rideshare Taxes Cheat Sheet](#)
    - A one-pager that covers the essentials that people need to know
  - [Tax Organizer](#)
    - Have clients fill out the form before they come to their tax filing appointment
    - Helps prepare people to bring everything they need for their session
  - [Outreach Toolkit](#)
    - Sample Facebook posts and tweets
    - Also includes some graphics
    - Resources will be added to the toolkit over time

### **Business Expenses Refresh**

- Business deductions (business expenses)
  - Always remember that business expenses must be Ordinary and Necessary
    - Ordinary: expenses that are common and accepted in the taxpayer's line of work

- Necessary: expenses that are helpful and appropriate for a particular trade or business
  - For Uber and Lyft, most of these expenses will be related to the car
  - VITA limit for business deductions is \$25,000
    - 43,103 miles is the maximum miles for business expenses
- Standard Mileage Deduction
  - Biggest deduction most drivers will have, easier than actual expenses
  - \$0.58 (per mile in 2019)
    - The IRS sets the rate every year, so it may change each tax season
  - Considers everything that you do with your car for your business
    - Car washes are included, so you CANNOT deduct them separately
  - Excludes the following (meaning you can get a deduction for these in addition to Standard Mileage):
    - Tolls
    - Parking
    - Business percentage of auto loan interest
      - Can only use the percentage of the auto loan interest that relates to the business
      - Must figure out what percentage of the car is used for business v. personal and then calculate the percentage of the auto loan interest that is used for rideshare driving
    - Business percentage of personal property taxes
      - If the driver is in a state that requires personal property taxes
      - Based on the value of the car → but only the business percentage of this value can be added on top of the Standard Mile Deduction
  - If you live in a state that requires you to purchase additional auto insurance, then you can deduct this on top of standard mile deductions
  - [Standard Mileage Deduction Infographic](#)
    - A great resource to share with rideshare drivers
- [Actual Car and Truck Expenses](#)
  - People need to hold on to all their receipts
    - Car washes, car depreciation, gas, parking, registration, tires, tolls, lease payments, etc.
  - This is out of scope for VITA
    - It gets complicated, and it is difficult to teach volunteers
    - Drivers who use this method will probably want to see a professional
  - [Actual Expenses Infographic](#)
- Other Deductible Mileage
  - [What miles count?](#)
    - Miles driven to pick up passengers
    - Miles driven returning from drop-off points to a place to wait for another ride request
    - And any other mileage related to the business
      - Driving to the store to get supplies for your rideshare business (snacks, chargers, etc.)
  - Three types of miles:
    - Business → the only ones that are deductible
    - Personal
    - Commuting
  - It's not just miles driven when you have a passenger that count, it's also in between rides
  - Keep a mileage log!

- Date, destination, to and from, what they were doing
    - The Lyft and Uber apps are a good starting point, but you need to keep track of miles on your own, so you have proof during tax time
  - Helpful hint: Always tell driver that when they are on their way home (or leaving home to drive), they should make a quick trip to the gas station or the store to get business supplies so that the first and last trip of the day count as business miles instead of commuting miles
  - [This infographic can help drivers know which miles count](#)
  - What do you do with clients who say they could easily recreate the log?
    - Do not use scare tactics → keep it positive
    - Tell them to count all the mileage that they have
    - Explain the value of tracking miles as you go, especially if you get audited by the IRS which looks out for:
      - Overstating expenses and;
      - Understating income
    - Self-employed filers need to be as accurate and as conservative as possible, especially if they don't have the correct records
    - Tell clients to be conservative with reporting this year, and next year focus on keeping accurate records
- Operating Expenses
  - Costs of phone, phone service plan, floor mats, dash cams, music apps, first aid kit, repairs, roadside assistance plans, office supplies, snacks and refreshments for passengers, etc.
  - You can take these other expenses in addition to Standard Mileage/Actual Expenses
  - [This infographic helps drivers understand what other expenses can count towards their business](#)
- Other Deductible Expenses
  - Uber and Lyft get their cut
  - There are some expenses you must pay to the platforms to use their app
  - Fees vary by platform but tend to include:
    - Commission fees
    - Express pay fees
    - Tolls during a trip
    - Rental fees
    - Parking
    - Other fees (city, airport, split fare, safe fare)
  - These fees are deductible
  - Can usually find them on the app, on the account summary statement
  - As always—there is a [cheat sheet](#) you can use!

## Other Questions

1. Q: What should we do if the driver does not use a mileage log so all they have is the Uber/Lyft log on the app? Is the app enough to base mileage off?
  - a. If this is all a driver has for now, you should use it
  - b. Tell drivers that the rideshare app does not include all the mileage that they have for their business
  - c. The point is to make your deduction as large as possible to make the self-employment taxes they pay is as small as possible
  - d. Would be beneficial for them to have their own mileage log
2. Q: How do you explain IRS definition for keeping a contemporaneous mileage log to the taxpayer?

- a. Explain to folks that Uber and Lyft mileage log is just a starting point
  - b. If you are not counting all the extra miles that you have then you are losing money
3. Q: How does one prove that they separate business and personal calls? Are phone logs needed?
  - a. It does not hurt
  - b. If the IRS asks you to produce records of proof, you need to be able to present them
  - c. Would be very beneficial to separate business from personal
  - d. Taxpayers don't have to keep paper records and can use the cloud to keep track of this documentation
4. Q: Do you know where specifically mileage is recorded on 1099s?
  - a. Mileage is not reported on the 1099
  - b. Two forms that the drivers may get:
    - i. 1099-MISC with information in box 7
      1. Any payments that come directly from rideshare company
    - ii. 1099-K
      1. All income from driving
      2. Get a total of all the third-party payments → anything that goes from the rider to the driver
        - a. This includes fees, which must be deducted in business expenses
      3. Uber and Lyft will only issue this if they have over 200 transactions and over \$20,000 in income
5. Q: Are meals included?
  - a. No, because business expenses are based on ordinary and necessary for the business
  - b. Eating lunch or dinner is not income generating
6. Q: Drivers are confused and think that written documentation is the same as what is in their head. How can we explain the difference in an encouraging way?
  - a. You need to let clients know that they need physical records of their mileage and expenses
  - b. If anything were to happen, you must be able to produce these records to the IRS
7. Q: If the driver works for both Uber and Lyft, are the two apps double counting by tracking the same miles at the same time?
  - a. Yes, when both apps are on, they are likely double counting
  - b. Stress that drivers need to track their own mileage log and not solely rely on the app
8. Q: What about [Qualified Business Income Deductions \(QBIDs\)](#)? Does this apply to self-employed workers?
  - a. Many clients do qualify for this
  - b. It's a deduction on your 1040

### Things to Keep in Mind

- Similar guidance also applies to delivery services such as Grubhub
  - It is a little different, and expenses and miles are the same
- For more information, [watch the 2018 rideshare training](#)
- The resources on the website are a great tools for tax preparers and taxpayers, especially the calculators