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The IRS requires taxpayers to follow the recordkeeping rules for T&E (travel and entertainment) expenses to a "t." Otherwise, deductions may be denied. This lesson was apparently lost on a CPA in a new Tax Court case. He wasn't allowed to deduct most of his business car expenses based on calculations from the MapQuest website.

Notably, the CPA failed to keep a contemporaneous diary or log of his business trips to prospective clients. He didn't create the records until a couple of years later (Kilpatrick, TC Memo 2016-166, 8/29/16).

On the Schedule C for his 2009 tax return, the CPA deducted \$22,331 in automobile expenses. He claimed they were expenses of driving 40,601 miles for his CPA business. But the IRS only allowed a deduction of \$398 in its notice of deficiency. At trial, the CPA changed his tune, claiming he drove 8,687 business miles in 2009. Because he used the standard mileage method (55 cents per mile in 2009, the deduction amounted to \$4,778.

Although the recordkeeping requirements under the standard mileage method aren't as stringent as the rules for deducting actual expenses, the CPA still must substantiate the following:

- The amount of business mileage for each business use of the automobile;
- The total mileage (business and nonbusiness) of the automobile during the taxable year
- The date of each business use of the automobile; and
- The business purpose of each business use of the automobile.

To substantiate these automobile expenses with adequate records, a taxpayer must

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The CPA testified that all 8,687 miles that he allegedly drove for business were to attract new clients. He did not provide to the Tax Court any contemporaneous records of his business travel for 2009. In lieu of records, the CPA furnished a copy of a 2009 calendar, prepared in December 2011, and printouts of directions generated by MapQuest, also prepared in December 2011.

The MapQuest directions showed the distance between his residence and various towns to which he allegedly traveled for business. The CPA wrote a list of dates on each page of directions, apparently to signify that he took trips on those days to and from the particular location on that page of directions. These dates are the same as the dates circled on the calendar.

Both the calendar and the MapQuest directions were prepared at least two years after the CPA allegedly used his car for business travel in 2009. Therefore, they do not constitute “adequate records” for this purpose. Furthermore, due to the large gap in time between the alleged dates of business travel and creation of the records, the Court concluded they are not sufficient to establish the amount of business mileage, the date of the use and the business purpose of the use.

Make sure your clients follow the recordkeeping rules for T&E expenses to the letter. And then, unlike the CPA in this new case, practice what you preach.

**The rules for auto recordkeeping generally require a contemporaneous log of each trip** (there are a limited number of special exceptions). In *Sam D. Kilpatrick* (T.C. Memo. 2016-166) the Court found the taxpayer used a calendar and MapQuest to prepare a log at least two years after the business use of the car.

The Court held that neither the calendar nor the MapQuest directions were “made at or near the time of the” use of the car. In addition, the calendar did not contain other required information such as the places, business appointments or the business

purpose of the travel. The Court only allowed the deduction for auto expenses

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