

Driving for Uber & Lyft

If you are one of the estimated 1million+ rideshare drivers in the USA then you will need to keep track of your income and expenses for tax purposes.



The Basics:

- Based on current regulations, Uber & Lyft drivers are independent contractors. That means that you will be issued 1099-NEC documents rather than W2s.
- The good news is that independent contractors can deduct their non-reimbursed expenses. In contrast, W2 employees cannot deduct any expenses (on their federal tax return).

Documents from Uber & Lyft:

Login to your Uber and/or Lyft online dashboard and download all 1099 forms (1099-NEC and/or 1099-K) and your annual summary. 1099s do not have to be issued until Jan 31st, so you may have to wait a little.

- 1099-K: Uber and Lyft have similar policies. Drivers will receive form 1099-K if they grossed at least \$20,000 in unadjusted fares and provided at least 200 rides. Some drivers will receive form 1099-K even if they are below these levels (depending on what state you drive in).
- 1099-NEC: Uber & Lyft have similar policies. Drivers will receive form 1099-NEC if they received greater than \$600 in referral/promotional/incentive fees.

Mileage Basics:

You can choose (in most cases) to use the standard mileage rate or deduct actual expenses. The standard mileage rate for 2022 is 58.5¢ per mile (1/1/22 – 6/30/22) and 62.5¢ per mile (7/1/22 – 12/31/22). To use the standard mileage rate you only need to record business miles and total miles driven for the year. To deduct actual expenses, you need to record business miles, total miles, and total expenses for the year (remember to categorize your expenses so your tax advisor can accurately calculate the deduction). In most cases the standard mileage rate will be better, so you may want to save the hassle of keeping track of your actual expenses.

Your allowable miles start the moment you begin to pursue paying rides and end the moment you stop such activities. Do not include miles getting to the location where you start to pursue rides. Do not include your commute back home after you stop pursuing rides. An exception to the above rules would be if you have a qualifying home office that is used exclusively and regularly for administrative tasks related to your ridesharing business. This is a complicated topic, so ask for help to determine if you have a qualifying home office.

Uber and Lyft include mileage totals in their annual summaries. However, if you drive for **both** Uber AND Lyft during the same session you **must** independently track your mileage to eliminate double-counting. Most rideshare drivers use an app like Stride, MileIQ, Quickbooks, Hurdlr, or Everlance (to name just a few) to track mileage. Alternatively, you can manually record the odometer reading at the beginning and end of your sessions.

Other Common Deductible Expenses:

- Uber & Lyft commissions and fees (summarized on your annual statement from Uber/Lyft).
- Vehicle inspections specifically required by Uber/Lyft.
- Parking fees and tolls incurred while actively pursuing paying rides.
- Bottled water and other conveniences (mints, gum, etc.) for your riders.

Non-Deductible Expenses:

- If you take the standard mileage rate then you can't deduct the following vehicle related expenses: Gas, oil, tires, repairs & maintenance, car washes, insurance, license, lease payments, loan interest, & vehicle depreciation.
- Do not deduct anything that isn't "ordinary and necessary".