

Exhaust Transportation Tax Breaks to Save Money

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H&R Block Advises Specific Work Travel Costs Can Mean a Decrease in Tax Liability

KANSAS CITY, MO, Mar 20, 2012 (MARKETWIRE via COMTEX) --Predictions that gas could average \$5 a gallon across the United States this summer may have commuters looking for extra money in more places than just the couch cushions. Savings from taking advantage of pre-tax fringe benefits and tracking mileage eligible to be deducted could help taxpayers manage their transportation costs, according to experts at The Tax Institute at H&R Block (NYSE: HRB).

"Particularly for taxpayers whose employers provide transportation fringe benefits, using a van pool, transit pass, qualified parking and biking to work can be ways to save money," said Kathy Pickering, executive director of The Tax Institute at H&R Block. "Because these are pre-tax fringe benefits, they are excluded from income, which decreases tax liability. For taxpayers who don't have access to these fringe benefits, knowing what mileage they can deduct could be beneficial."

Qualified transportation options include riding, parking and biking

To use pre-tax commuter benefits, they must be provided by a taxpayer's employer as a qualified transportation fringe benefit. The following are among those most frequently provided by employers:

- Commuter highway transportation, such as a van pool -- up to \$125 per month
- Mass transit passes, tokens, etc. for rail, bus and ferry -- up to \$125 per month
- Parking at a location provided at the workplace by the employee or at a mass transit parking location -- up to \$240 per month for tax year 2012
- Reasonable expenses for the purchase of a bicycle, improvements, repair and storage for bicycle commuting -- up to \$20 per month
- Taxpayers who use this benefit may not use other transportation benefits at the same time.

"Some employers will reimburse employees for their qualified transportation fringe benefits, while others will give their employees the annual amount up front to use for the costs. Because this is a fringe benefit, it does not decrease pay or increase taxable income; it is, as the name implies, an added benefit provided by some employers," Pickering said.

Some work-related mileage is tax-deductible. Commuting to the same workplace every day is not tax-deductible, but using a personal vehicle for other work-related travel may be if the employee is not reimbursed for the expense. Some examples of work-related vehicle use include visiting clients and traveling to a temporary worksite instead of the employee's main office. Employees who are partially reimbursed by their employers for the business use of their personal vehicle may claim a tax deduction for the difference between the IRS standard mileage rate and the rate reimbursed.

Mileage is a miscellaneous itemized deduction and when added to all miscellaneous itemized deductions, only the amount in excess of 2 percent of the taxpayer's adjusted gross income is deductible. Employees can track their actual expenses and deduct those or they can use the standard mileage rate for this mileage.

For tax year 2011, the standard mileage rate for miles driven before July 1 is 51 cents per mile and it is 55.5 cents per mile for mileage logged July 1 and later, and it continues at this rate for tax year 2012.

Mileage for any qualified trip must be tracked by keeping a log that includes the date of the trip, business purpose and destination. When using the standard mileage rate, the total business mileage is multiplied by the rate per mile to determine the amount of the tax deduction. Following are mileage rates for other uses for 2011:

- 14 cents per mile for charitable purposes, including volunteer opportunities (14 cents per mile for tax year 2012)

-- This is considered a charitable deduction and does not have to
exceed 2 percent of adjusted gross income to be deducted
-- 19 cents per mile through June 30 and 23.5 cents per mile July 1 and
later for medical and relocation purposes (23 cents per mile for tax
year 2012).

For more information about how transportation expenses can reduce tax liability or to learn about other tax breaks, visit www.hrblock.com or call 800-HRBLOCK to find a local tax professional.

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