MARIPOSA COUNTY
BOARD OF SUPERVISORS

AGENDA
ACTION FORM

DATE: Feb. 13, 1996
AGENDA ITEM NO.: 2-4

DEPARTMENT: Auditor BY: Ken Hawkins PHONE: 966-7606

RECOMMENDED ACTION AND JUSTIFICATION: (Policy Item: Yes___ No XX)

Allow all out of county mileage to be reimbursed at the IRS standard rate. ~~of 30¢ per mile.~~

BACKGROUND AND HISTORY OF BOARD ACTIONS:

Mariposa County maintains a mileage rate equal to what IRS allows as a business deduction.

LIST ALTERNATIVES AND CONSEQUENCES OF NEGATIVE ACTION:

Employees may use County vehicles more.

COSTS: ( ) Not Applicable
A. Budgeted current FY $______
B. Total anticipated costs $______
C. Required additional funding $______
D. Internal transfers $______

SOURCE: ( ) 4/5ths Vote Required
A. Unanticipated revenues $______
B. Reserve for contingencies $______
C. Source description: ______
Balance in Reserve for Contingencies,
if approved: $______

SPECIAL INSTRUCTIONS:
List the attachments and number the pages consecutively:

CLERK'S USE ONLY:
Res. No.: 96-52 Ord. No. ______
Vote - Ayes: 5 Noes: ______
Absent: ______ Abstained: ______
(✓) Approved ( ) Denied
( ) Minute Order Attached ( ) No Action Necessary

The foregoing instrument is a correct copy of the original on file in this office.
Date:
ATTEST: MARGIE WILLIAMS, Clerk of the Board
County of Mariposa, State of California
By: ______
Deputy

ADMINISTRATIVE OFFICER'S RECOMMENDATION:
This item on agenda as:
✓ Recommended
___ Not Recommended
___ For Policy Determination
___ Submitted with Comment
___ Returned for Further Action

Comment: ______

A.O. Initials: [initials]

Action Form Revised 5/92

tax years beginning after 1994. See chapter 10.

Standard mileage rate. The standard mileage rate for 1995 is 30 cents a mile for all business miles put on a passenger automobile (including vans, pickups, or panel trucks). See chapters 4 and 16.

Important Reminders

Business meals and entertainment. You can deduct only 50% of the cost of your business meal and entertainment expenses. See chapter 16.

Environmental clean up costs. Costs you incur to clean up land and to treat groundwater contaminated with hazardous waste resulting from your business operations may be deductible as a trade or business expense. See chapter 16.

Lobbying expenses. Generally, you cannot take a business expense deduction for lobbying expenses. See chapter 16.

Introduction

This publication discusses common business expenses and explains what is and is not deductible. The general rules for deducting business expenses are discussed in the opening chapter. The chapters that follow list other publications and forms you may need and examine particular kinds of business expenses.

Ordering publications and forms. To order free publications and forms, call 1–800–TAX–FORM **(1–800–829–3676).** You can also write to the IRS Forms Distribution Center nearest you. Check your income tax package for the address.

If you have access to a personal computer and a modem, you can also get many forms and publications electronically. See *How To Get Forms and Publications* in your income tax package for details.

Telephone help. You can call the IRS with your tax question Monday through Friday during regular business hours. Check your telephone book for the local number or you can call **1–800–829–1040.**

Telephone help for hearing-impaired persons. If you have access to TDD equipment, you can call **1–800–829–4059** with your tax question or to order forms and publications. See your tax package for the hours of operation.

1. Deducting Business Expenses

Topics

This chapter discusses:

- What can be deducted
- How much can be deducted
- When to deduct
- Not-for-profit activities

Useful Items

You may want to see:

Publication

- ☐ **529** Miscellaneous Deductions
- ☐ **534** Depreciating Property Placed in Service Before 1987
- ☐ **536** Net Operating Losses
- ☐ **538** Accounting Periods and Methods
- ☐ **547** Nonbusiness Disasters, Casualties, and Thefts
- ☐ **551** Basis of Assets
- ☐ **587** Business Use of Your Home (Including Use by Day-Care Providers)
- ☐ **917** Business Use of a Car
- ☐ **925** Passive Activity and At-Risk Rules
- ☐ **936** Home Mortgage Interest Deduction
- ☐ **946** How To Depreciate Property

Form (and Instructions)

- ☐ **Sch A** (Form 1040) Itemized Deductions
- ☐ **5213** Election To Postpone Determination as To Whether the Presumption Applies That an Activity Is Engaged in for Profit

Business expenses are the costs of carrying on a trade, business, or profession. These expenses are usually deductible if the business is operated to make a profit.

The general rules for deducting business expenses are given in this chapter. These rules apply to every type of business expense, both those discussed here and those discussed in other publications. They cover the kinds of expenses you can deduct, the year in which you can deduct them, and the limits on how much can be deducted.

What Can Be Deducted?

To be deductible, a business expense must be both ordinary and necessary. An ***ordinary*** expense is one that is common and accepted in your type of business, trade, or profession. A ***necessary*** expense is one that is helpful and appropriate for your trade, business, or profession. An expense does not have to be indispensable to be considered necessary.

It is important to separate business expenses from:

1) The expenses used to figure the cost of goods sold, and
2) Capital expenses.

In addition, keep business expenses separate from personal expenses. If you have an expense that is partly for business and partly personal, separate the personal part from the business part.

Cost of Goods Sold

If your business manufactures products or purchases them for resale, some of your expenses are for the products you sell. You use these expenses to figure the cost of the goods you sold during the year. You deduct these costs from your gross receipts to figure your gross profit for the year. You must maintain inventories to be able to determine your cost of goods sold. If you use an expense to figure cost of goods sold, you cannot deduct it again as a business expense.

Among the expenses that go into figuring cost of goods sold are the following:

1) The cost of products or raw materials in your inventory, including the cost of having them shipped to you,
2) The cost of storing the products you sell,
3) Direct labor costs (including contributions to pension or annuity plans) for workers who produce the products,
4) Depreciation on machinery used to produce the products, and
5) Factory overhead expenses.

You may have to include certain indirect costs of production and resale in your cost of goods sold. Indirect costs include rent, interest, taxes, storage, purchasing, processing, repackaging, handling, and administrative costs. This rule on indirect costs does not apply to personal property you acquire for resale if your average annual gross receipts (or those of your predecessor) for the preceding 3 tax years are not more than $10 million.

For more information, see *Cost of Goods Sold* in chapter 7 of Publication 334.

Capital Expenses

You must capitalize, rather than deduct, some costs. These costs are a part of your investment in your business and are called "capital expenses." There are, in general, three types of costs you capitalize: