

# BREAKING COMMON TRUCKER TAX MYTHS



Taxes. We all have to deal with them, and when you're an owner-operator, you may be hearing some tax advice that sounds too good to be true. So, which common tax myths are real, and which are smart to avoid? Let's find out!

## MYTH VS. REALITY:



**MYTH:** You'll owe no tax the year you start your business.

**REALITY:** This is false, especially if you're leasing your equipment.

**MYTH:** Your first year, you'll get a big tax refund.

**REALITY:** You may get a refund to the extent of taxes paid. For example, if your withholding as a company driver was \$100 before you became an owner-operator (and you paid no additional taxes during the year) the most you normally can receive as a refund is \$100.

**MYTH:** You should be incorporated.

**REALITY:** Not necessarily. Incorporation only makes sense when the tax savings are greater than the additional costs.

**MYTH:** You don't have to make estimated tax payments.

**REALITY:** Payments are required quarterly.

**MYTH:** *Tax-deductible* or *write-off* means getting something for free.

**REALITY:** Most of the time, it only reduces your federal taxes from 15%–30% of the value of the item purchase.

**MYTH:** You can deduct days off due to illness and deadhead mileage.

**REALITY:** You deduct only your actual expenses while working and are taxed only on the profit you make while working, so you're already getting a deduction for deadhead and time off.



# BREAKING COMMON TRUCKER TAX MYTHS, CONT.

**MYTH: You can deduct the cost of your dog.**

**REALITY: Dogs are deductible only as a security measure and if the dog is part of the trucking operation. This means the dog lives in the truck and is always with the truck as security.**

**MYTH: You can deduct out-of-route miles.**

**REALITY: You deduct your actual expenses while working, which already includes out-of-route miles (as with deadhead) and you can't deduct anything twice.**

**MYTH: You can deduct the standard mileage rate for every mile you run.**

**REALITY: You can deduct actual expenses OR the standard mileage rate, but not both. For most owner-operators, the actual expense deduction usually makes more sense.**

**MYTH: You can deduct tips for maintenance, tire changes, repairs, etc.**

**REALITY: Yes, only if you actually pay the tip! Falsely claiming tips is fraud and can land you in a lot of hot water with the IRS. Don't do that.**

**MYTH: You can negotiate a deal with the IRS to pay back taxes at a few cents on the dollar.**

**REALITY: Yes, but such deals—called offers in compromise—are only granted in extreme cases and are based on your ability to pay.**



Taxes can be complicated, especially when running a business. Although we've explained some of the more common trucker tax myths, always do your own research (or contact a certified public accountant) before following any advice you may hear from other drivers/owner-operators. While the advice may be given in good faith, your specific business structure may not support it. And the last thing anyone wants is to be in trouble with the IRS.

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