

Tax Guide for Uber/Lyft Drivers

About Uber/Lyft: Ride share drivers are self-employed and use their own cars. They do not have to search for their own customers and they do not accept payment for services directly from the riders. The company collects the fares and then pays the driver a portion of the fare. They must complete a Schedule C.

About VITA scope: The following are the main items to check to determine if a business return is in scope. The return is in scope only if all of the following are true:

- The deduction for car expenses is claimed using the standard mileage rate — not the actual expense method. To qualify, the standard mileage rate must have been used for the first year the car was used for business. *Cab drivers who lease a cab must use actual vehicle expenses and are out of scope for VITA.*
- The total of all business expenses is less than $50,000.
- The driver does not pay helpers — whether as subcontractors or employees.
- There is a profit from the business; that is, the business expenses do not exceed the business income.

Remember: A tax site does not need to prepare a tax return just because it is in scope. Returns should only be prepared when site staff has proper training and is confident that the return can be completed correctly.

The good news: In addition to the usual 1099 income forms, Uber/Lyft provides each driver with a year-end tax summary that includes valuable information that is needed for tax preparation. If the driver doesn't have or know about the summary, insist that they look it up in their account. It's essential for an accurate return.

Income

Form 1099-K, Payment Card and Third Party Network Transactions
Report box 1a, Gross amount of payment card/third party network transactions, in *Gross Receipts or Sales* on TaxSlayer.

Form 1099-NEC, Nonemployee Compensation
Uber/Lyft may have also paid the driver for activities other than driving such as referrals or incentives. This income is reported in box 1 of a Form 1099-NEC (if they received more than $600) or on the year-end tax summary. If they have a 1099 NEC, enter the info on TaxSlayer. If not, add the total 1099 NEC income from the Uber/Lyft tax statement in *gross receipts* on TaxSlayer.

Other Income
It is possible that a driver will have tracked additional income that is not reported by Uber/Lyft; for example, cash tips. Any additional income is added to the *gross receipts.*

Expenses

From the Tax Summary
All of the expenses (bold items) in the 1099-K breakdown and the other potential deductions section are deductible. List the fees under *commissions and fees* and any others (such as device service subscription) under *other expenses.*

Mileage
The total "on trip mileage" should be listed as business miles in the *car and truck expenses category*. Like all business owners, the driver will also have to list commuting miles and personal miles and answer the required questions.

On trip mileage reported on the tax summary only includes miles driven when a passenger was in the car. Any miles driven between passengers is also deductible. The taxpayer should be instructed to keep good records of these miles in the future. A reasonable estimate of miles driven is acceptable for this return, but records would be requested if the taxpayer were audited. Miles driven from home to the first passenger would be considered commuting and are not deductible.

Car loan Interest: If the taxpayer has a car loan, they can deduct a portion of the interest paid, based on the portion of the car used for business. This would be entered under *other interest* on TaxSlayer

Business use percent = business miles / total miles

Example:
Business miles = 2500 Commuting Miles = 250 Other miles= 10000 Total miles = 12750
2500 / 12750 = 19.6 % business use
Total interest paid = $450
450*.196 = $88 of deductible interest

Parking fees or tolls paid while driving for Uber/Lyft or waiting for customers are deductible. Deduct under *other expenses* on TaxSlayer.

A **cell phone** is an essential tool for Uber/Lyft Drivers. A driver must determine the portion of time his phone is used for business. Once the percentage is determined, you can deduct the portion of the monthly bill used for business. If audited the IRS would require significant evidence to support this cell phone deduction, so detailed record keeping is strongly encouraged. Records should include call lists or time spent using data plans for both business and personal use in order to determine an accurate percentage. List under *other expenses*.

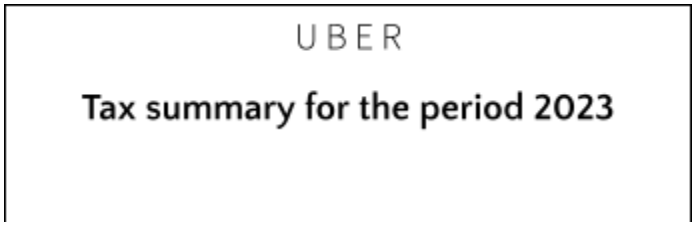
Snacks offered to passengers such as water, gum or mints to improve the experience and ratings are also deductible. List under *other expenses*.

Car washes are <u>not</u> deductible using the standard mileage rate. This is considered maintenance and would only be included if the taxpayer used the actual car expenses method which is out of scope.

For more information and informational handouts for taxpayers, see RideShareTaxHelp.com

SAMPLE Uber return

- Joanne started driving for Uber in June, 2023. She drives every Saturday evening, usually from about 6 PM to 1 AM. She brought her 1099K that she received from Uber which reported $3,585.98 in box 1a (gross amount of payment card/third party network transactions). She did not keep any other records.
- Ask Joanne to log in to her Uber account and find and print her tax summary. She will find a statement
- like this:



UBER

Tax summary for the period 2023

1099-K BREAKDOWN

Gross Fares (Uber Fee included) [1]	USD 3585.98
Split Fare Fee	**USD 4.75**
Safe Rides Fee	**USD 299.40**
Airport Fee	**USD 5.80**
TOTAL	**USD 3895.93**

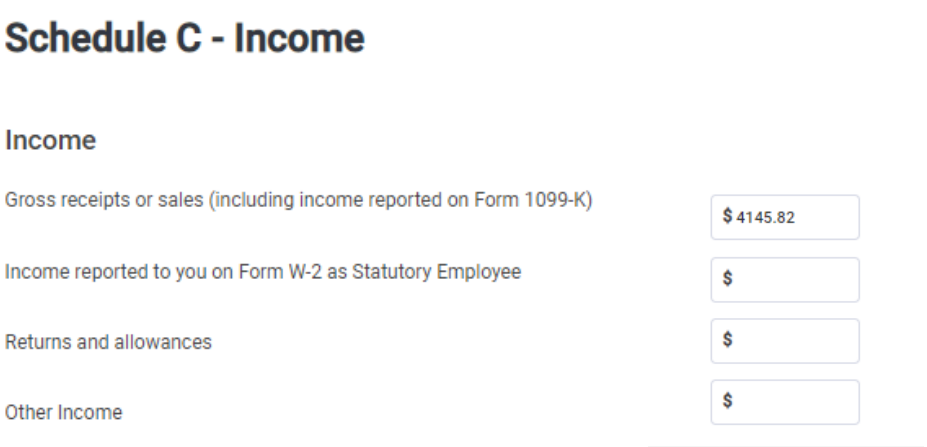
1099-MISC BREAKDOWN [2]

Referral / Incentive	USD 559.84
TOTAL	**USD 559.84**

OTHER POTENTIAL DEDUCTIONS

Uber Service Fee	**USD 717.15**
Device Subscription	**USD 485.00**
On Trip Mileage[3]	**1028 mi.**

- This statement will give information about additional income and expenses.
- Income: $3585.98 + 559.84 = 4145.82. Enter the 1099K income under gross receipts and sales and the referral income on the gross receipt line too. Do not put it on the Other Income line. The other income line is for scrap sales, bad debts you recovered, interest (such as on notes and accounts receivable), state gasoline or fuel tax refunds you received. We don't usually see that at our sites so that line is usually blank. Janice did not actually receive a 1099 NEC since they paid her less than $600, so you don't need to enter it on a 1099 NEC in TaxSlayer



Schedule C - Income

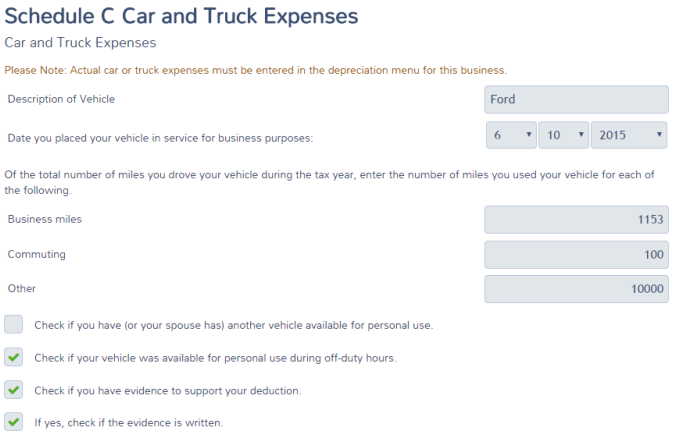
Income

Gross receipts or sales (including income reported on Form 1099-K)	$ 4145.82
Income reported to you on Form W-2 as Statutory Employee	$
Returns and allowances	$
Other Income	$

- All of the fees can be totaled and added to “commissions and fees” under general expenses
- The Device Subscription charge can be added to other expenses



- On Trip Mileage is entered under vehicle expenses. Joanne did not keep track of other mileage but know she drove every Saturday evening and always drove at least 5 miles without customers.
    - 25 Saturdays * 5 miles = 125 miles
    - On trip mileage from Tax Summary = 1028



- Joanne does have a car loan and she paid $800 of interest for the year. She can only take a percentage of that amount because she mostly uses her car for personal use. (1153 business miles/ 11,253 total annual miles) x $800 = $91. This would go on the interest paid line on Schedule C.

- Joanne uses her phone for work each Saturday for about 7 hours. 7 hours for 25 weeks = 175 hours. There are 8760 hours in a year. 175/8760 = .019 or 2%. Her monthly phone bill is $75 or $900 for the year. 2% of 900 = $18. She can list $18 as other expense for business portion of her cell phone bill. Unless she has detailed records, it may not be worth including this expense since it is a small amount.

