Driving for Uber & Lyft

If you are one of the estimated 1 million+ 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 and 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 and Lyft.

Log into your Uber and or Lyft online dashboard and download all 199 forms and your annual summary. 90 nines do not have to be issued until January 31st, so you may have to wait before you get them.

- 1099 K. Uber and Lyft have similar policies. For tax year 2023, drivers will receive Form 1099K if they gross greater than $600 in unadjusted fares. For tax years prior to 2023 drivers receive Form 1099K if they gross at least 20,000 in unadjusted fares and provided at least 200 rides.
- 1099-NEC. Uber and Lyft have similar policies. Drivers will receive Form 1099 NEC if they receive greater than $600 in referral promotional incentive fees.

Mileage basics:

You can choose to use the standard mileage rate or deduct actual expenses. The standard mileage rate for 2023 is 65 and a half cents per mile. To use the standard mileage rate, you only need to record business miles and total miles driven for the year. To deduct actual mine expenses, you need to record business miles, total miles, and total expenses for the year. Please 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 pain 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 business that is used exclusively and regularly for administrative tasks related to your ride sharing business. This is a complicated topic, so ask for. To help to determine if you have a qualifying home business.

Uber and Lyft include mileage totals in their annual summaries. However, if you drive for both Uber and Lyft driving the same session, you should independently track your mileage to avoid accidental double counting. Most rideshare drivers use an app like Stride, Mile IQ,or QuickBooks to track mileage. Alternately, you can manually record the odometer reading at the beginning and end of your sessions.

Other common deductible expenses.

- Uber and Lyft commissions and fees.
- Vehicle inspections specifically required by Uber/ Lyft.
- Parking fees and tolls incurred while actively pursuing paying rides.
- Bottled water and other conveniences that you have provided for your riders.

Non deductible expenses.

- If you take the standard mileage rate, then you cannot deduct the following vehicle related expenses. Gas, oil, tires, repairs and maintenance, car washes, insurance license, lease payments, loan interest, and vehicle depreciation.
- Do not deduct anything that is not ordinary and necessary for your business.