

Road Trip: Navigating insurance and taxes for leased and rented autos

By **Robert N. Greenberger** and **Bartley R. Miller**
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It's summertime and that means road trips.

In many cases, it also means renting a car at some point during the journey or setting off in a vehicle leased by your employer.

Top-of-mind questions include: "Did we turn off the stove?" "Where can we find a clean bathroom?" And perennial parent favorite, "Are we there yet?"

But few people stop to consider such questions as: "Do I need rental car insurance at the airport?" "Is my company exposed if I get into an accident?" And, "How do I treat this trip for tax purposes?"

Below, we explore all three issues:
**Rental car insurance:
Take collision damage waiver**

While many renters have a vague idea they are covered under their personal auto insurance, credit card or – in the case of a business trip – their employer, few know for sure. And that knowledge could mean tens of thousands of dollars in out-of-pocket liabilities.

While renters are generally confronted with four insurance options, there's really only one you need to take at the rental car counter: Collision damage waiver coverage. This typically costs from \$15-\$25 per day.

Accepting this coverage means you have no obligation to the rental company if the vehicle is damaged – no matter whose fault it is. If you decline the collision damage waiver, you could be on the hook, even if you are not at fault.

That could mean thousands of dollars

“If you decline the collision damage waiver, you could be on the hook . . .”



Greenberger

beyond just the cost of vehicle repairs. Costs could also include loss of rental income to the rental company and the losses incurred because of the decline in the re-sale value of their damaged vehicle. The company may also ping you for administrative fees.

Even though you probably have some coverage for damage from other sources – such as your credit card or personal auto insurance – those sources will not cover business income losses to the rental company nor their other administrative costs involved in repairing the vehicle.

**Company-leased vehicles:
Is my employer exposed?**

Several professions – notably, physicians, dentists and other healthcare professionals – often will lease an automobile in the name of their practice entity for tax purposes but they insure the car on their personal auto policy. They don't make a differentiation because in their mind it's their personal car.

However, this leaves their practice entity exposed because it is the practice entity's leased vehicle. Professionals can often be exposed to large verdicts from juries, so proper endorsements to insurance policies are needed to protect the practice entity.

Keep in mind the "hired and non-owned" auto insurance provided within the general liability policy of your practice doesn't include liability coverage for an "owned or extended leased" vehicle of the practice.

If you aren't sure whether you have appropriate coverage, we recommend calling your insurance agent to find out.

What can I deduct from my taxes and how much?

Unfortunately, car rental taxes and fees tacked onto the rental car bill can approach 50 percent of the basic rental charge.

While these fees, such as the fleet tax, recovery surcharge, concession recovery fees, energy recovery fees and other charges cannot be avoided, relief is in sight!

To the extent that the rental car is used for business, the rental automo-

bile expenses may reduce your taxable income as well as your tax liability. Taxpayers using a car for business may deduct transportation expenses, including parking fees and tolls.

Keep in mind, that if your business trip was extended for an extra two days of personal vacation, only the business days can be used in determining the business mileage – that means driving from your place of employment to another work site to meet with a client or attend a business meeting.

The deduction for business use of a vehicle by an individual is shown on Schedule C if you're self-employed, or as an itemized deduction as part of your reimbursed business expenses (Form 2106), if you're an employee.



Miller

Don't be a road warrior!

Of course, individual circumstances can be as varied as family trips to Disney World versus a client site visit.

While the above guidelines are generally true, your best bet is to call your accountant or insurance agent, or the appropriate individual within your employer's office, before you leave for your next trip.

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