Overdrive's PARTNERS IN BUSINESS

A BUSINESS MANUAL FOR OWNER-OPERATORS

PRODUCED BY OVERDRIVE AND ATBS

TBS

ROAD RULES

A Handy Reference Guide to Life On the Road.

Brought to you by TBS Factoring Service.

FEDERAL RESERVE HOLIDAYS (2019)

Your money doesn't move on these holidays, plan accordingly. Additional holidays may be observed by your local bank.

New Year's Day: Jan. 1
Martin Luther King Jr. Day: Jan. 15
Presidents Day: Feb. 18
Memorial Day: May 28
Labor Day: Sept. 3
Columbus Day: Oct. 14
Veterans Day: Nov. 11
Thanksgiving Day: Nov. 28
Christmas Day: Dec. 25

REGULATORY RENEWAL INTERVALS

Renew or update in order to stay compliant with DOT regulations.

- 2290 (due Aug. 31)
- CDL State Renewal (annual)
- DOT Audit Policies & Procedures File (annual)
- Driver Qualification File (annual)
- Equipment Inspection (annual)
- IFTA License (file & pay qrtly/NY KY NM OR addl. req.)
- Insurance Policy (annual)
- IRP Permit (on registration mos.)
- Medical Card (every 2 yrs)
- Motor Vehicle Record (annual)
- UCR (prior Dec. 31)
- USDOT MCS-150 Form (every 2 yrs online)

CSA

- Review CSA scores online each quarter
- Keep carrier registration data up-to-date
- Challenge incorrect inspection data via RDR

PRE-TRIP INSPECTION

Federal regulations 396.13 state that before driving a motor vehicle, the driver shall:

(a) Be satisfied that the motor vehicle is in safe operating condition;

- Service brakes including trailer brake connections
- Parking brake
- Steering mechanism
- Lighting devices and reflectors
- Tires
- Horn
- Windshield wipers
- Rear vision mirrors
- Coupling devices
- Wheels and rim
- Emergency equipment

DRIVE HEALTHY

- Make healthier choices at mealtime
- Exercise and walk as often as possible
- Get an annual health screening
- Get proper sleep
- Learn which stress reducing technique works best for you

PREVENTATIVE MAINTENANCE PLAN

Staying roadworthy is more than just good business sense; your livelihood depends on it.

- Use proper oil grade for engine type
- Lube at fill levels for engine, transmission, differentials, wheel bearings
- Inspect radiator inside and out
- Inspect hoses, lines and clamps, belts
- Inspect water pump
- Check battery
- Maintain correct tire pressure
- Inspect brakes and air system
- Check lights, wipers, washers

MANAGE YOUR BUSINESS

- Plan your work, work your plan
- Understand your costs
- Plan your fueling route, take advantage of discounts
- Focus on gross revenue instead of rate per mile
- Manage your cash flow
- Build relationships with your customers
- Understand freight cycles
- Use technology that makes your time more efficient
- Pay your taxes
- Save for a rainy day

Overdrive's PARTNERS IN BUSINESS
2019 Edition

More than 70 percent of freight tonnage moved in the United States travels by truck. Those trucks include 3.4 million heavy-duty Class 8s, operated by more 3.5 million drivers.

You deliver the food we eat, the clothes we wear, the cars we drive and the building materials for our homes and offices. Everyday life doesn't happen without you delivering the things that make it possible.

Truck drivers carry the U.S. economy on their backs. That's a lot of work. Which is why *Overdrive* editors and ATBS specialists, with the support of TBS Factoring Service, have teamed up to provide you with the 2019 edition of Partners in Business, the industry's best manual for prospective and committed owner-operators.

In this manual you will find the best research and advice from *Overdrive*, which has 50-plus years of experience publishing articles to help the owner-operator, and ATBS, the nation's largest owner-operator financial services provider. There's also input from TBS, which has been around as long as *Overdrive*, helping owner-operators and motor carriers apply for operating authority and improving their lives with a variety of cash flow solutions and other services to help them operate more profitably.

When truckers work extra hard and take the risks to run their own show, driving can be a fun and rewarding profession. *Overdrive,* ATBS and TBS are working together to help keep you in the driver's seat.

Keep it moving!

Brent Reilly | President and CEO, *Overdrive* publisher Randall-Reilly

Todd Amen | President and CEO, ATBS

Jennifer Fogg | President, TBS Factoring Service

Overdrive's PARTNERS IN BUSINESS

This publication, as well as any associated workshop or other product, is designed to provide accurate and authoritative information in regard to the subject matter covered but does not take the place of competent professional legal and financial advice. While reasonable effort was made to ensure accuracy of the information covered, the authors and publisher cannot be held accountable for errors or omissions. The reader is urged to consult with professionals such as attorneys, trucking accountants, insurance specialists and others for help with specific issues and questions.

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Randall Reilly®

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BECOMING YOUR OWN BOSS

TAKE TIME TO PREPARE FOR THIS BIG STEP

As an owner-operator, you enjoy more freedom from supervision than a company driver. As an owner-operator leased to a carrier, to an extent you're able to set your own hours and take time off when you want. But those freedoms come with a big tradeoff: being financially responsible and self-disciplined. The challenge is great, but the rewards can be, too.

Why do *you* want to be an owner-operator? If your answer is to work hard, make more money and have a more rewarding life, you have a good chance at success. The successful owner-operator is driven above all else by the prospect of financial payback for time and investment.

There's reason to believe it's a good time to pursue this dream, and that's not based just on economists spouting rosy forecasts. It's also based on the track record of the last couple of years.

Though anemic demand marked 2015 and 2016, things picked up noticeably in 2017. 2018 started out reasonably well, fueling hope that strong owner-operator prospects might continue through 2019.

According to owner-operator business service provider ATBS, overall owner-operator net income averages have risen to the highest levels the organization has seen since it began tracking the averages 13 years ago. Unless the economy hits a bona fide recession, income increases are likely to continue.

For owner-operators, another clear plus is the availability of money to finance equipment. If you've been hamstrung since the 2008-10 recession with marginal credit and a truck in need of trading, or if you've been unable to move into a truck for the first time for these reasons, this should be good news.

QUALITIES OF SUCCESS

Most drivers who become owner-operators already know about the need to run a lot of miles while driving safely and legally, but other qualities also are important.

RESPONSIBILITY. Develop your own business systems, and set up a regular truck maintenance program. Plan for the hard times when your business is good. Set specific goals.

RELIABILITY. Good customer service is vital to your success. Being dependable means you'll get the loads you need to get the revenue you want.

MOTIVATION. Without the desire to earn money, the freedom of being an owner-operator won't amount to much when the truck payment is due. This means being available to carry the loads and being smart in choosing profitable loads.

WILLINGNESS TO LEARN. Seek knowledge. Ask questions. Know your limits, and learn to overcome them.

MECHANICAL APTITUDE. You

Overdrive's PARTNERS IN BUSINESS

may not have to do major work on your truck, but every dollar you save by doing simple tasks yourself goes straight to your bottom line.

SELECTING A BUSINESS SERVICES PROVIDER

The most successful owner-operators start modestly and manage well. Until you learn the ropes of owning your business, focus on managing both business and personal expenses. Along the way, you'll be responsible for a lot, such as accounting, taxes, financial goals and your own rules of conduct. A strong financial services provider can provide this assistance and guidance.

Over the long term, the ability to tie the financial side of the business seamlessly into the systems of freight partners could make it easier for independent contractors of all stripes to manage the day to day of their businesses.

Many owner-operators fail within the first few years, as do most small businesses. A good services provider often can save you an amount of money that more than covers the annual service fee.

Such a provider should be able to give you all the tools necessary for running a profitable trucking business. These include:

PROFIT PLANNING. A profit plan is akin to a budget, or a plan that helps you oversee your business and control your future, including both business and personal expenses and goals.

BOOKKEEPING. Sorting and tallying receipts and settlements can take several hours a week. A good business service can, in effect, give you back that time.

PROFIT-AND-LOSS STATEMENTS. These tools provide snapshots of your business' health. A profit-and-loss statement shows your revenue, fixed and variable costs, net income, contribution margin and break-even miles.

BENCHMARKING. This is the practice of comparing your business to the rest of the industry to decide what changes may be needed to maximize your profitability.

TAX PREPARATION. Many federal and state income tax rules relative to trucking are complex and constantly changing.

You need a business services provider with tax expertise in trucking – one that has a Certified Public Accountant and Registered Tax Return Preparers.

This critical expertise helps professional drivers find every legal tax deduction, thereby helping to reduce your tax

OWNERSHIP RISKS AND REWARDS

There is more than one way to be a business owner in trucking. As the degree of independence increases, so do the potential risks and rewards.

LEASE-PURCHASE OPERATOR. You have signed a lease or a lease-purchase agreement to get your truck through a carrier or a third-party leasing company. **Pros:** Easiest way to get into business with little or no down payment, credit rating or experience. You might be able to find a simple walkaway lease that will let you test the waters without much risk. **Cons:** Many sign the deal before they are truly ready and are saddled with too-expensive equipment. Some deals restrict decision-making ability when it comes to equipment add-ons. Keep in mind that with many lease-purchases, you're leasing from the same entity that controls 100 percent of your income, who will by contract often make it difficult for you to take the equipment elsewhere. Get somebody on your side who can interpret what the deal's legalese means.

LEASED OWNER-OPERATOR. You buy your equipment, outright or with a loan, and lease it to a carrier. You run under the carrier's operating authority. **Pros:** Unlimited selection of equipment, total control over equipment modification and maintenance, and you decide to whom you will lease. **Cons:** No walkaway options. Once you sign to buy, you are committed. If you borrow for the equipment, you are committed for the entire loan plus interest, with severe financial consequences if you default.

CARRIER. You get your own operating authority and become a motor carrier. **Pros:** A higher profit margin with no carrier taking a piece of the action before you get your cut. Almost complete freedom on how you run the business. **Cons:** That freedom brings more work and complexity. Do you want to develop your own customers, soliciting freight directly from shippers? Or do you want to work through load boards or brokers? The latter is easier, but also means giving some revenue to the broker. You'll also be responsible for invoicing, collections, compliance, safety, drug testing, hours of service, licensing, permitting, fuel tax and mileage tax – and the list goes on. See Chapter 18 for more on taking this route.

CREATING YOUR FINANCIAL MAP

A business plan, also known as a profit plan, is one of the most effective business tools you'll use as an owner-operator. Think of it as a road map that allows you to track income and expenses over time, with the goal of reaching your desired financial rewards. A business plan helps you make ends meet. It shows you exactly how much money is needed for expenses, where it will be spent and how much you can afford to pay yourself.

Your business plan should show all sources of income and costs while taking into account industry averages, personal expenses and cash flow. It also should provide this complete financial picture in weekly, monthly and annual detail.

It also allows you to know when you have reached your break-even point – after which every extra mile driven puts more money in your pocket.

GETTING STARTED

The best time to begin the planning process is before you start your business. The process will give you targets, and these can be compared later with your actual financial performance to see where adjustments are needed to maximize profits.

In its simplest form, the business or profit plan should identify your revenue – or gross income – and your expenses. All personal household expenses should be included. While your books may reflect a profitable business operation, you may fall short of your personal needs and desires if household expenses are left out.

BE REALISTIC

As you work through this process, gather as many of your collected invoices or settlement statements, bills and receipts as possible. Accumulate three to four months of expenses to reflect your spending habits properly. Don't forget to budget for savings, estimated taxes, unexpected situations and lean times.

If you lack past data for developing your plan, be conservative in estimating your income, and slightly overestimate your expected expenses so you don't start out with a flawed plan. If there is money left over, place it into savings for emergencies.

If you need help, a business services provider such as ATBS can estimate costs you may not be sure of.

ATBS

PROFIT PLAN

Miles:	Weekly	Monthly	Annual		
Loaded Miles	2,500	10,833	130,000		
Empty Miles	250	1,083	13,000		
Total Miles:	2,750	11,917	143,000		
Revenue:	**Weekly**	**Monthly**	**Annual**	**Cents Per Mile**	**% Rev**
Mileage Percentage	$3,400	$14,733	$176,800	123.64	100.00%
Fuel Surcharge	$0	$0	$0	.00	.00%
Accessorial/Other	$0	$0	$0	.00	.00%
Total Revenue:	$3,400	$14,733	$176,800	123.64	100.00%
Variable:	**Weekly**	**Monthly**	**Annual**	**Cents Per Mile**	**% Rev**
Fuel	$1,297	$5,621	$67,448	47.17	38.15%
Trailer Fuel	$0	$0	$0	.00	.00%
Fuel Tax	$15	$65	$780	.55	.44%
Routine Truck Maintenance/Repair	$412	$1,785	$21,420	15.00	12.12%
Depreciable Truck Repair	$0	$0	$0	.00	.00%
Outside Labor	$0	$0	$0	.00	.00%
Communications	$72	$311	$3,737	2.61	2.11%
Travel & Lodging	$17	$75	$900	.63	.51%
Office/Education	$5	$20	$240	.17	.14%
Electronic Devices Purchase	$0	$0	$0	.00	.00%
Company Charges	$0	$0	$0	.00	.00%
Uniforms/Laundry Supplies	$5	$20	$240	.17	.14%
Small Tools & Truck Supplies	$0	$0	$0	.00	.00%
Miscellaneous	$0	$0	$0	.00	.00%
Depreciable Tool Purchase	$0	$0	$0	.00	.00%
Broker Fees	$0	$0	$0	.00	.00%
Total Variables:	$1,823	$7,900	$94,798	66.29	53.62%
CONTRIBUTION MARGIN:	$1,577	$6,834	$82,002	57.35	46.38%
Fixed:	**Weekly**	**Monthly**	**Annual**	**Cents Per Mile**	**% Rev**
Truck Payment	$0	$0	$0	.00	.00%
Trailer Payment	$0	$0	$0	.00	.00%
FHUT	$11	$46	$550	.38	.31%
Licenses, Permits, Tolls & Escorts	$31	$133	$1,600	1.12	.90%
Physical Damage Insurance	$11	$48	$573	.40	.32%
Bobtail Insurance	$2	$10	$124	.09	.07%
Work Comp/Occ Acc Insurance	$9	$37	$444	.31	.25%
Health, Dental, Vision, Other Insurance	$62	$267	[illegible]	[illegible]	[illegible]
Salary & Wages	$0	$0	$0	.00	.00%
Legal & Accounting	$19	$82	[illegible]	.70	.56%
Total Fixed:	$144	$624	$7,493	5.24	4.24%
Total Expenses:	$1,967	$8,524	$102,289	71.53	57.86%
NET INCOME FROM BUSINESS:	$1,433	$6,209	$74,511	52.11	42.14%
Personal Obligations:	**Weekly**	**Monthly**	**Annual**	**Cents Per Mile**	**% Rev**
Estimated Personal Obligations Net of Other Household Income	$455	$1,983	$23,820	16.66	13.47%
Estimated Cash From Business and After Personal Obligations and Other Household Income	$976	$4,224	$50,691	35.45	28.67%
BREAKEVEN POINT:	**Weekly**	**Monthly**	**Annual**		
MILES TO BREAK EVEN (NLT)	1,059	4,590	54,064		
TOTAL REVENUE TO BREAK EVEN	$1,298	$5,626	$67,511		
Per Diem:	**Weekly**	**Monthly**	**Annual**	**Cents Per Mile**	**% Rev**
Per Diem	$314	$1,361	$16,331	11.42	9.24%
FEDERAL TAX ESTIMATE (25.00%):	$280	$1,212	$14,545	10.17	8.23%
STATE TAX ESTIMATE (WA 0.00%):	$0	$0	$0	.00	.00%

Under this plan, the owner-operator runs 130,000 loaded miles, earning $74,511 on $176,800 in revenue.

burden significantly.

A good service provider also will support you in the event of an audit.

RECEIPT ARCHIVE. A good provider will house receipts and financial documents in a place where you can access them anytime on the road or at home. This information should be in an encrypted secure site that keeps your personal information safe.

BUSINESS CONSULTING. A good business service provides continual support through business consulting to help you better understand the essential tools of business and use them effectively.

FINDING THE RIGHT MATCH

Choosing a business services provider is an important step that should be taken carefully. Consider these criteria to make your choice:

- How long has the provider been in business and serving the trucking industry?
- Does the provider understand how the trucking industry operates and where it's headed?
- Is the company large enough to provide the best services, benchmarking and comparison data?
- Is the provider's customer base composed of successful owner-operators and fleets?
- Does the tax staff hold professional tax credentials and have trucking-specific expertise?
- Do the provider and its tax department provide audit support by CPAs or enrolled agents if a client is audited?
- Does the provider offer an assigned consultant, or do you typically speak with a different person every time you call?
- How does the provider charge?

Work with your business services provider to determine key issues to address in your operation.

Based on this information, your consultant should help you complete your profit plan and fill in any missing information.

Once completed, your plan will help you manage expenses so you can run a successful operation. It will allow you to make any necessary changes to your business on a monthly basis instead of at tax time, when it's often too late.

HOW TO DETERMINE YOUR NET WORTH

Profit planning can help you be financially secure when you retire. Take time to build balance sheets to calculate your net worth. The balance sheet compares your assets with your liabilities.

Start with what your business owns: Write down how much money is in your business checking and savings accounts, and don't forget escrows or maintenance reserves your carrier may be deducting from your settlement fund. Next, determine how much your equipment is worth.

Next are your business liabilities: your truck or trailer loans, business credit card balances, outstanding accounts with vendors and repair shops, etc. Subtract your liabilities from your assets, and you have the net worth of your business. If it's positive, it becomes an asset on your personal balance sheet. If it's negative, then it's a liability.

Do the same for your personal balance sheet. The difference between your assets and liabilities is your net worth.

PROFESSIONAL ASSISTANCE

ATBS, co-author of this manual and presenter at Partners in Business seminars, is the nation's largest owner-operator business services provider. ATBS has years of experience in the trucking industry and partnerships with most major owner-operator fleets.

The Denver-based firm provides bookkeeping, profit planning, profit-and-loss statements, tax preparation, incorporation review, a secure online portal and consulting services for more than 40,000 owner-operators. It can use its extensive database to pinpoint dozens of owner-operator benchmarks, measurements of key operations, that are not available elsewhere.

ATBS clients make on average 40 percent more than their peers. Let ATBS help you grow your business and gain peace of mind in knowing that you are on the road to success as an owner-operator.

ATBS enrollment specialists can be reached at (888) 640-4829 or via www.ATBS.com for answers to critical questions.

BOOKKEEPING AND BUSINESS ANALYSIS

TRACKING PROGRESS, FILING INCOME TAXES AND MAXIMIZING YOUR BOTTOM LINE

Bookkeeping is one of the most important activities of successful owner-operators. The receipts and records you keep are used in a number of areas of your business – income tax reporting and minimization, warranty issues, maintenance information and monthly profitability, to name a few.

A business services provider can save you time with this task, but you should take an active role in collecting the information. The more organized and thorough you can be in your receipt gathering, the better.

You can simplify the bookkeeping task by following six simple practices that translate to higher profit with less hassle:

1 SAVE EVERY RECEIPT, NO MATTER HOW SMALL. Why "tip" the taxman? It's the job of your business services provider to help you deduct as many legitimate costs as possible. Place an envelope in your truck for collecting your receipts, or use dedicated folders on your computer or in the cloud for e-receipts. At the end of each month, send them to your business services provider, who can sort and tally them and provide you with a monthly profit-and-loss statement as well as accurate quarterly tax estimates. Whether you're building spreadsheets on a laptop or using online software such as that available at mygauges.com (see "Simplifying recordkeeping") or other vendors (see Chapter 14), the receipts are crucial in case you are audited. Scanned images of receipts are acceptable; keep the original paper copy for any big-ticket item for warranty purposes. ATBS will scan the contractor's receipts and provide a CD with the data to the owner-operator at the end of the year. ATBS also allows owner-operators to view scanned receipts and financial documents online; this helps owner-operators track and manage paperwork easily when they are on the road and pull up key information, such as the receipt for the purchase of a battery that proves it is under warranty.

If you're not sure if something is tax-deductible, save the receipt and check with your business services provider.

2 OPEN A SEPARATE CHECKING ACCOUNT FOR YOUR BUSINESS. If you are the sole owner of the business, open an additional personal account and save yourself the extra fees that are associated with business accounts. Deposit your settlement checks and collected invoices in this account, and pay yourself for driving from these funds. The amount to pay yourself is determined by your budget.

Pay all business expenses from this account. A separate account also will give you easy access to needed information in case you are audited, and bank fees for this account are tax-deductible.

3 USE A SEPARATE CREDIT CARD FOR BUSINESS EXPENSES. Likewise, it's wise to keep business and personal credit card spending distinct. Find a credit card without an annual fee and with a low interest rate and, ideally, a generous rewards plan. Pay the balance in full every month.

4 SAVE YOUR LOGS. Your log book and/or electronic log records are your best proof of your entitlement to per diem (daily) expenses, mainly meal costs. If you're using electronic logs, now a requirement for most truckers, know how to save and access your history.

5 GET A NOTEBOOK TO CARRY WITH YOUR RECEIPT ENVELOPE. Use this notebook — alternately, a document or spreadsheet record on your smartphone or computer — to record those expenses for which you cannot obtain a receipt, such as when you wash your truck at a pay facility, business use of your auto, etc. Give a monthly record of these expenses to your business services provider along with your other receipts. You must track the date, location, amount and reason for each expense to meet Internal Revenue Service regulations. Special circumstances include:

Entertainment. Expenses for yourself, such as movie rentals or books, are not deductible. However, if you entertain a business associate, such as a fleet manager or shipping clerk, the expense is deductible. Note the cost of the expense, the date, names of who was there and the meeting's purpose.

Business gifts. If you make a gift to a business associate such as a dispatcher or a customer, record the cost, date, gift description, the recipient's name and relationship to you.

Transportation. For use of a personal vehicle for business, include the date you started using it for business, mileage for each business use and annual total miles. Include your business destination and purpose of each trip.

6 SAVE YOUR RECORDS. You must keep the records that were used to prepare your tax return — records that support income and deductions — for three years from the date you filed the return.

Other records to keep include IRS quarterly estimated tax payments; monthly profit-and-loss statements; insurance documentation; maintenance records and reports; warranty information, which should be available immediately to keep your truck on the road and minimize downtime and maintenance costs; required registration information; settlement statements from your carrier if you're leased; and bank statements, business credit card statements and canceled checks.

PROFIT-AND-LOSS STATEMENT

All your records should be accumulated throughout the month and turned into a profit-and-loss statement, also called a financial statement or a statement of earnings. Gather settlement statements and receipts into like categories and total up at the end of the month. Then incorporate your operating information in a consistent format to make the profit-and-loss statement.

The statement should tell you how many miles you drove, your revenue, your costs and how much money you made during the month – your profit or loss.

Building a monthly P&L allows you to track progress month to month to see if you are improving. The statement should include ratios like cents per mile and percent of revenue so you can analyze your performance. You also will be able to compare your profit-and-loss statement to your budget to see if you are on track with your plan (see Chapter 1).

In addition, the statement should have a year-to-date (YTD) column that accumulates each month into a total for the whole year.

Successful owner-operators have to know how to adjust for

SIMPLIFYING RECORDKEEPING

Creating basic monthly income/expense reports, profit-and-loss statements and tax reports is accomplished more easily with simplified recordkeeping. Business services help greatly here, but for those not using a service, a simple process for gathering and organizing your paper receipts, combined with an online software tool or custom spreadsheets on your computer, can allow you to input your own data and do the computations with the least amount of effort to create the reports.

- Pick up an expanding folder at an office supply store – likewise blank labels for the folders, a stapler and a desktop calculator with a register tape. Fill out the pocket labels with the categories listed in the box here. Some will not apply if you don't employ another driver or have space devoted to an office or shop.
- Every receipt claimed must be business-related. Car expenses apply only to business-related trips, such as to your truck dealer or repair shop.
- When you get a receipt, drop it in the corresponding pocket – fuel, settlements or any expenses document.
- At the end of each month, schedule two hours to catch up with your filing. You likely soon will find that you can get this done in less time.
- Add the receipts in the folder's first pocket. Staple the register tape to the corresponding pile of receipts, and drop them back in the same slot. Since they are stapled, they won't get mixed with new receipts. Do the same for the remaining categories.
- Supplement this system by noting your odometer reading on the first of every month. This allows you to track total monthly miles and then calculate your true income per mile and costs per mile.
- Using online software – such as the mygauges.com software created by trucking radio host Kevin Rutherford – or other programs, create a monthly entry for each category, and enter your settlement data. Use the software or spreadsheet data to create your reports and manage your business.

EXPENSE CATEGORIES IF BUSINESS-RELATED

- Car expense
- Fees and commissions
- Fuel, oil and additives
- Insurance
- Interest paid
- Laundry
- Legal and accounting
- Loading and unloading
- Meals and entertainment
- Nonoffice supplies
- Office supplies
- Parking reservations
- Physicals and drug testing
- Rent or lease
- Repairs and maintenance
- Scale fees
- Settlements
- Taxes and license
- Tolls
- Travel
- Utilities
- Wages and payroll

changing conditions. If you don't, profitability probably will decline. Are fuel prices low or high? What about insurance costs? Is the economy growing? What do industry analysts say about conditions in the months ahead?

Make it part of your routine to compare your P&L report with your budget and figure out changes you need to make to maximize profitability.

Compare yourself with other owner-operators. Comparisons help you understand changes under way in the trucking industry and what other drivers are doing to adapt. But be careful: Some comparisons are dangerous. Casually comparing settlement checks, for example, can mislead you into thinking you are doing better or worse than you are. It's more effective to compare revenue and what other operators are doing to achieve revenue, and also what they are doing to reduce costs and minimize waste. If you are not doing as well in some areas as other operators, it is up to you to solve the problem.

A good way to compare is through benchmarking. This is the key to understanding the big picture – not just where you stand in relation to a few other operators, but to the industry as a whole. A good business services provider can provide key benchmarks, or averages, such as cost per mile for dry van haulers.

Such data can help you analyze where you're performing well and where you need to make changes.

ATBS

PROFIT AND LOSS STATEMENT

MILES	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Loaded Miles	4,775	5,315	4,899	4,144	0	0	0	0	0	0	0	0	19,133
Empty Miles	2,021	1,884	1,222	1,353	0	0	0	0	0	0	0	0	6,480
TOTAL MILES	6,796	7,199	6,121	5,497	0	0	0	0	0	0	0	0	25,613

REVENUE	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Mileage/Percentage	$ 8,942	$ 9,815	$ 8,968	$ 7,755	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 35,480
Fuel Surcharge	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Accessorial/Other	$ 265	$ 539	$ 338	$ 200	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 1,342
TOTAL REVENUE	$ 9,207	$ 10,354	$ 9,306	$ 7,955	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 36,822

EXPENSES Variable	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Fuel	$ 2,750	$ 3,212	$ 2,537	$ 2,339	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 10,838
Trailer Fuel	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Fuel Tax	$ 538	$ 693	$ 863	$ 698	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 2,792
Routine Truck Maintenance/Repair	$ 416	$ 976	$ 1,184	$ 140	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 2,716
Depreciable Truck Repair	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Outside Labor	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Communications	$ 100	$ 80	$ 80	$ 80	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 340
Travel & Lodging	$ 0	$ 0	$ 75	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 75
Office/Education	$ 10	$ 8	$ 12	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 30
Electronic Devices Purchase	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Company Charges	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Uniform/Laundry Supplies	$ 11	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 11
Small Tools & Truck Supplies	$ 36	$ 30	$ 36	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 102
Depreciable Tool Purchase	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Miscellaneous	$ 1	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 1
Broker Fees	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Total Variable Expenses	$ 3,862	$ 4,999	$ 4,787	$ 3,257	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 16,905
CONTRIBUTION MARGIN	$ 5,345	$ 5,355	$ 4,519	$ 4,698	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 19,917

Fixed	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Truck Payment	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Trailer Payment	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
FHUT	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
License, Permits, Tolls & Scales	$ 196	$ 145	$ 175	$ 115	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 631
Physical Damage Insurance	$ 100	$ 80	$ 80	$ 80	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 340
Bobtail Insurance	$ 52	$ 41	$ 41	$ 41	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 175
Work Comp/Occ Acc Insurance	$ 185	$ 148	$ 148	$ 148	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 629
Health, Dental, Vision, Other Insurance	$ 267	$ 267	$ 267	$ 267	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 1,068
Salary & Wages	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Legal & Accounting	$ 96	$ 77	$ 77	$ 77	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 327
Total Fixed Expenses	$ 896	$ 758	$ 788	$ 728	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 3,170
TOTAL EXPENSES	$ 4,758	$ 5,757	$ 5,575	$ 3,985	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 20,075
NET INCOME BEFORE TAX	$ 4,449	$ 4,597	$ 3,731	$ 3,970	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 16,747
MILES TO BREAKEVEN	1,139	1,019	1,067	852	0	0	0	0	0	0	0	0	4,077
REVENUE TO BREAKEVEN	$ 1,543	$ 1,466	$ 1,623	$ 1,233	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 5,861
Cash Advances	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0

This profit-and-loss statement example includes valuable operating information, such as percentage of revenue calculations for expenses. ATBS notes categories where the owner-operator is performing particularly better or worse than his or her peers, which provides an opportunity to focus on improvements.

ATBS gives owner-operators the ability to access and analyze their profit-and-loss statement from a secure online portal. Using a smartphone, tablet or PC, owner-operators can access their P&L statement, receipts, important tax information and profit plan.

UNDERSTANDING YOUR REVENUE AND COSTS

THERE'S MORE TO EARNINGS THAN PAY PER MILE

Most owner-operators leased to larger carriers are paid on a per-mile basis or a percentage of revenue per load. The per-mile basis is most prevalent among larger fleets, percentage at smaller. Pay per mile tends to dominate discussions about pay because it is easier to measure, and pay per mile often is wrongly used as the deciding factor in the decision about leasing to a carrier.

While pay per mile can be a vital factor, it's not a cure for every ill. Nor does it mean a big settlement check is coming your way. Why? Because pay per mile always must be considered in balance with gross revenue. Gross revenue is the total amount paid to you by a carrier. It can include flat mileage pay, mileage pay that varies by length of haul, percentage of revenue pay, loading/unloading pay, detention pay, stop in transit pay, fuel surcharge, toll or scale reimbursement, etc.

In the following example, Carrier 1 pays a dollar per mile and pays the owner-operator a fuel surcharge and for unloading. Carrier 2 pays 70 percent of the revenue of the load, but no other expenses. Which carrier would you work for?

COMPARING DIFFERENT METHODS OF PAYMENT

Load from Stillwater, Oklahoma, to Jacksonville, Florida - 1,120 miles

Carrier No. 1 pays by the mile:

Mileage pay = 1,120 miles @ $1 per mile = $1,120

Unloading pay = $45

Fuel surcharge of 33 cents per mile = $370

Gross revenue to driver = $1,535

Gross pay to driver = $1,535 divided by 1,120 miles = **1.37 cents per mile**

Carrier No. 2 pays percent of revenue:

$2,032 gross revenue to carrier on load

Percent of revenue pay = $2,032 x 70% = $1,422

Gross pay to driver = $1,422 divided by 1,120 miles = **1.27 cents per mile**

It would appear before doing the calculation that you are better off driving for the company that pays a percent of revenue. However, after figuring your percent of revenue pay, you make more than $100 less, or 10 cents less per mile.

This example doesn't mean mileage pay always is better. Rather, it illustrates how pay can differ among carriers.

Too often, operators overlook the importance of gross revenue. Some will change carriers for an extra 1 cent per mile, sacrificing $10,000 of annual gross revenue by making the change. By focusing on just one element of revenue, you can miss the big picture.

Pay per mile, unless your carrier offers bonus mileage pay for shorter hauls or other variations, usually is consistent from month to month and year to year. Gross revenue is far less consistent, and any changes can have a disastrous effect on your fortunes as an owner-operator. Variables affecting gross revenue include weather, national and local economies, seasonal factors such as fresh produce hauling, changes to aspects of your company such as its sales and marketing personnel and customer base, communications, lanes of operation, competition, regulation and average length of haul.

While you have no control over many of these, there are some ways you can help manage your gross revenue:

DETERMINE A REASONABLE NUMBER OF MILES YOU EXPECT TO RUN. This requires careful consideration of factors such as your age, experience, motivation, financial goals, health, personal and family needs, and the condition of your tractor or trailer, and may include estimates of average length of haul. Once you have established a reasonable number of miles to run each week, month and year, you have goals to work toward.

MEASURE YOUR RESULTS FREQUENTLY. Does your performance match your capacity? Does it match your goal? If it doesn't, find out why and how to correct it.

MANAGE YOUR TIME. You are your own boss and in control of how you use your time. The time you spend driving and delivering loads determines how much you get paid. (See Chapter 4.)

ESTABLISH A RELATIONSHIP AND IMPROVE COMMUNICATION WITH YOUR FLEET MANAGER/DISPATCHER. Trust is essential to success and is achieved through on-time pickup and delivery as well as good communication.

MISCONCEPTIONS ABOUT REVENUE

Be aware of common revenue myths. Failure to do so can handicap your business.

MYTH 1 – *Concentrate only on increasing revenue because costs will take care of themselves.* After reaching your break-even point, only a fraction of every extra dollar of revenue goes into your pocketbook, while 100 percent of every extra dollar saved stays in your pocket.

MYTH 2 – *More revenue per mile is the answer to all problems.* Revenue per mile doesn't change much from company to company, but there can be a big difference in miles, gross revenue, reimbursements and fees.

MYTH 3 – *All you have to do to be successful is run hard and get a lot of miles.* Revenue is only half of the profit equation; costs are the other half. It's possible to generate a lot of revenue yet spend $1.10 to make every dollar. Furthermore, in percentage of revenue pay programs with self-dispatch options for experienced operators, like running entirely independent with your carrier authority, choosing loads to maximize revenue on the shortest number of miles is the best strategy to long-term financial success.

MYTH 4 – *You can tell how well you're doing by the size of your settlement check.* The settlement check is only a small part of the success picture. Miles driven, loads hauled, conditions, mechanical problems, time off and, especially, costs all have to be considered.

MYTH 5 – *Your company can control how much it pays you per mile.* Your company has limited influence on the rates it charges shippers because it is largely the marketplace that dictates rates.

UNDERSTANDING COSTS

Being able to survive and thrive as a business owner has as much to do with managing costs as it does with generating revenue. Like the chief financial officer of any company, you have to be concerned about rising costs, especially without increases in revenue.

Trying to reduce costs, let alone make sense of them, can be a complicated task. Understanding basic principles of operating costs can save you thousands of dollars a year:

A PENNY SAVED IS $1,000 EARNED. The owner-operator who can save just one penny per mile over 100,000 miles driven annually will save $1,000 in a year.

COSTS ARE NOT THE SAME EACH MONTH. If 9,600 miles are driven one month and 10,000 miles the next month, there will be two different sets of costs for each month. For example, if your tractor payment is $1,850 per month and you drive 9,600 miles in the month, your tractor payment will cost you 19.3 cents per mile. However, if you drive 10,000 miles, your tractor payment will cost you 18.5 cents per mile. This is one of your major fixed costs while paying off a truck loan.

Fixed costs do not go down over time, but you can reduce your cost per mile by driving more miles. The difference per mile here is only 0.8 cent, which may seem like small change, but remember the "one penny saved" rule. In this example, the difference in fixed cost is $960 per year.

FOR EVERY EXTRA DOLLAR OF REVENUE GENERATED, ONLY PART OF THAT DOLLAR IS PROFIT. But for every extra dollar of cost saved, that entire dollar contributes to your profit.

COSTS CANNOT BE UNDERSTOOD ON A PER-MILE BASIS ALONE. In the example to the right, the 10,000-mile month results in a lower cost per mile. Also, as the cost per mile was reduced, revenue went up for driving the extra miles – a double benefit per mile.

FIXED AND VARIABLE COSTS

A fixed cost already is determined and does not change from month to month. Any expense defined by time — such as a tractor payment, insurance payment, license fees — is a fixed cost. That cost will be the same every day whether your truck is driven one mile or 600. It is a daily fixed expense and has to be confronted 365 days per year.

A variable cost is related to how much you drive. Fuel, tires and maintenance are good examples. Most variable costs will be similar for every mile you run. These are the costs for distances traveled and other items that are required to move your truck the distance your load requires.

	A	B	C
Miles traveled in 7 days	1,000	1,600	2,500
Total revenue ($1.40 x miles)	$1,400	$2,240	$3,500
Variable cost per mile	79 cents	79 cents	79 cents
Variable cost - total (79 cents x miles)	$790	$1,264	$1,975
Fixed cost ($115 x 7 days)	$805	$805	$805
Fixed cost per mile	$0.81	$0.50	$0.32
Total cost	$1,595	$2,069	$2,780
Total cost per mile	$1.60	$1.29	$1.11
Profit/loss	($195)	$171	$720
Profit/loss per mile	($0.20)	$0.11	$0.29

APPLYING FIXED AND VARIABLE COSTS

An owner-operator leased to another entity might show a variable cost of 79 cents per mile and a fixed cost of $115 per day. The chart above shows how to apply fixed and variable costs to your business. Assume pay of $1.40 per mile.

In Example A, the operator couldn't break even, so there was no money left to pay himself for driving or to cover personal expenses. In Example B, the operator is making a meager profit, with a little money to pay himself for driving. And in Example C, the successful operator has money left over for savings and retirement after paying all expenses.

Also, note how fixed cost per mile was reduced in the successive examples.

WHERE THE MONEY GOES

Keeping track of all costs and their shares of revenue can be helpful in seeing whether any part of your operation is abnormal compared to other operators. This is useful not just for cost-cutting but also for making business decisions.

Based on the averages of clients of ATBS through December 2017, here's the percentage of total revenue you should expect to spend on key expenses:

- Fuel: 29 percent.
- Truck payment: 17.5 percent.
- Maintenance: 5.7 percent.
- Insurance: 4.5 percent, counting physical damage, bobtail and occupational/accident premiums.
- License and permits: 2 percent.
- Cell phones and other communications: 1 percent.

The average ATBS client nets 39 cents for every dollar of gross revenue, meaning 61 cents of each dollar earned has to go toward vital business expenses. Keep that in mind the next time you're tempted to go on a spending spree with a big settlement check.

On the other hand, if you're paying yourself much less than a third of your revenue, take a careful look at your records. Chances are one or two costs are out of control, or your revenue is too low.

MANAGING TIME

FOLLOW THESE PROVEN TIPS ON PLANNING YOUR SCHEDULE TO MAKE MORE MONEY

Successful owner-operators know that simply running hard is not enough. If it were that easy, anyone could do the job and expect the profits to roll in. Understand it pays to slow down and that there is a tradeoff in higher costs, not to mention the increased risk, for driving fast. If driving slower takes time away from you, you can find ways of managing your time to get some of it back. For example, you can take vacation time or plan major work on your tractor during the first week or two of the quarter (early January, April, July and October). Never take time off during the last two weeks of the quarter (or the last week of the month) when freight typically is abundant.

Sometimes it works to your advantage to look for loads that take you "through" home rather than "to" home. The latter can interrupt your revenue stream and require additional time to get back up to full speed again.

As an owner-operator, you should look at time off differently from a company driver. If a company driver takes a week off, he loses only the opportunity to make a weekly paycheck. When an owner-operator takes a week off, he has fixed expenses to pay and won't be earning a paycheck. When he returns to work, he not only has to replace the lost income, he also quickly must cover the fixed expenses that were spent during his time off. For example, for an owner-operator with fixed costs of $100 per day, seven days off would cost $700 in payments that still have to be made.

Though truly long-haul work remains the bread and butter of many an owner-operator, opportunity in regional- and short-haul work continues to expand. Average length of haul has declined markedly in dry van and, increasingly, in refrigerated.

Shorter hauls take more time, and they cost more money on a per-mile per-load basis. While carrier pay packages adjust to shorter hauls with premium per-mile rates or other tactics, they're not always quick to follow the freight trends.

As freight regionalization continues to hit other segments, close work on the part of owner-operators and their customers and dispatch assumes much greater importance in maximizing income.

THE SUCCESSFUL OWNER-OPERATOR'S DAY PLANNER

Smart owner-operators make every single week as profitable as

INCREASING EFFICIENCY

Make the most of your waiting time, such as while loading or unloading, getting your truck washed, stopping at the scale house, etc.

Take care of your rig. Check your tires and lights, and clean windows. Review maintenance records.

Take care of yourself. Take a walk if you can leave the rig. If you aren't able to leave, do stretches or exercises in the cab. Answer mail, write letters and pay bills. Cook a healthy meal in your microwave, or read a book.

Plan. Wipe off reflective tape while waiting or while doing a pre-trip; you'll be more visible and invite fewer inspections. Organize any clutter, especially on top of the dashboard; a cluttered dash is an open invitation to be inspected by law enforcement.

Review your log status with regard to expected pickups and deliveries, and where and when your next stops are likely to be. Ask for directions to every stop, or use mapping software, whether an app on a mobile device or software such as ProMiles or the many truck-specific GPS units from Rand McNally, ALK Technologies, TomTom, Garmin and others. Use the fuel/route-optimization tools at fuelsurchargeindex.org as well.

Otherwise, follow these steps for maximum efficiency:

Deliver on time. If you deliver late, the consignee may assign your dock door to another driver and put you last on the list. Delivering 15 minutes late can cost a whole day or even an entire weekend.

Deliver as early in the day as possible so that you have a time cushion to get dispatched to your next load. On appointment loads, deliver 30 minutes early. An empty trailer gives you plenty of options, but a load sitting on your trailer gives you only one option – waiting to deliver.

Early departure also helps when winter weather poses potential delays. Leaving late is the major reason for service failures – such as running out of hours on the morning of a delivery.

Manage fuel-related expenses. You have to manage the cost of fuel and fuel taxes, as well as the cost of time to fuel, which usually is about 45 minutes per stop. The typical owner-operator carries 200 gallons of fuel or more but buys only 100 gallons at a time. Often it saves time to put 175 gallons in the tanks instead of continually topping off with 100 gallons or less.

Be prepared to deadhead instead of laying over. The time and money lost to a layover can almost never be made up. If the deadhead can get you to a good load within 24 hours, it might make sense.

If you're leased, don't surprise your fleet manager. Keep him or her informed of every detail that affects service and your schedule. Set a personal and reasonable goal each week for the miles you want to run, and tell your fleet manager or dispatcher. Work with him or her to improve your miles and revenue.

possible. One trip is not enough time to be considered profitable or unprofitable, and an entire month may be too much time to manage. One week is the right amount of time to deal with efficiently. To do so, look at the advantages and disadvantages of every day of the week.

- Match trip length to the optimum day of the week.
- Plan to deliver on the day

WHAT IS YOUR TIME WORTH?

Overdrive readers in 2015 indicated appropriate benchmarks for detention rates to be charged to shippers and receivers for loading delays and negotiated with freight brokers by independents. They suggested adding fixed cost per mile to either total revenue per mile or profit/net income per mile. This example shows what the latter of those could look like based on the average numbers of independent ATBS clients in 2014. Such one-truck independents made more than $60,000 in net income on 97,500 miles on average. Those clients' average fixed costs (including truck and trailer payments, insurances and the like) are added in the second part of the calculation to be covered under the final rate. Just matching profit, or net income, in detention rates doesn't always cover owner-operators' costs; including fixed costs makes for a more accurate compensation. In addition, but not part of the calculation below, you can add your average variable hourly costs to idle or run alternative climate-control devices.

PROFIT PER MILE: $60,150 ÷ 97,500 annual miles = 62 cents per mile
\+ **FIXED COST PER MILE:** $43,500 ÷ 97,500 annual miles = 45 cents per mile
= $1.07 **(INCOME + FIXED COSTS) PER MILE**
x **AVERAGE HIGHWAY SPEED:** 60 mph
= **HOURLY DETENTION RATE:** $64.20 per hour

you have the best opportunity of getting a load.

• Plan to drive under a load on days when it typically is harder to get a load.

Your personal weekly plan will vary depending on the weekly delivery/flow cycle of your region, typical length of haul, personal requirements and other factors.

The needs of customers and dispatch have to be considered and often will determine how your time is used. What's important is to have a specific weekly plan that helps you be successful.

SUNDAY: It's like getting in an extra day if you can pick up or deliver on Sunday, since this typically isn't a day for either task. Being able to make the most of Sunday gives you a good head start on the week.

MONDAY: Profitable owner-operators deliver on Monday. Why? Delivering the first load of the week on Monday lets you start your week with miles already generated and leaves time to be profitable during the rest of the week. On Monday you'll find more load opportunities than on Tuesday, too.

TUESDAY: Unless it's a 2,000-mile trip, delivering the first load of the week on Tuesday means the week usually won't be profitable. Tuesday is the day to take a hard look at how many miles you have driven and how many more you need to have a profitable week.

WEDNESDAY: It's hump day. By now, about half of your gross revenue for the week already should be in hand.

THURSDAY: This can be the make-or-break day of the week. A load picked up on Thursday should either be short enough (less than 600 miles) to deliver on Friday, or provide enough miles (at least 1,600) to carry you through the weekend. Try to average 550-600 miles per day for the trip, although on Thursday it's almost always better to take a 350-mile trip and deliver it on Friday. Turning down a short run just because it would mean laying over until Friday may turn out to be an expensive mistake.

FRIDAY: This usually is the best day of the week for freight. Being under a load with the longest possible miles over the weekend will make the best use of your time.

SATURDAY: The week is over, and your work and planning should have resulted in a profitable operation. But like Sunday, Saturday is an extra day if you can pick up or deliver a load.

Many an independent owner-operator has realized high freight rates by being the 911 service on the weekend for a trusted broker. If you're using load boards on the spot market and can make yourself available on Saturday or Sunday by posting your truck, you might be surprised by the good results.

SPOT MARKET RATES PRIMER

For independents with carrier authority, managing time extends to being canny about when you plan to run with an eye toward negotiating the best rates with brokers. Past analysis has show that an operator's negotiation strength varies day-to-day in a given week. Typically, the highest rates across major segments – dry van, reefer, flatbed – are paid for load negotiated on **Sundays**, and the highest volume of loads for all segments is seen on **Mondays**, also the weekday that tends to be best for flatbed negotiations, yielding the best rates.

Owner-ops tend to have less negotiation strength on **Tuesday,** which shows the lowest weekday spread between brokers' offered rates and actually paid rates.

Broker offers tend to rise by **Wednesday**, and owner-operators start to see they can begin negotiating higher rates as the end of the week is in sight.

On a typical **Thursday**, brokers begin to get nervous about moving their freight before the week ends. This day is where drivers can really begin to see a spread between posted rates and negotiated rates – upwards of 20 percent for dry van.

Friday, however, is an independent carrier's best negotiating day. Depending on conditions in the wider economy, you might be able to name your price, ideal as you set up your next week with this load.

Behind Sunday, **Saturday** offers the second-highest paid rates. Rates start shooting back up on Saturday. Additionally, for any segment, Saturday sees the highest spread of any day between broker offered rates and negotiated rates.

CONTROLLING FUEL COSTS

YOUR SURVIVAL DEPENDS ON MINIMIZING FUEL CONSUMPTION AND GETTING A FAIR SURCHARGE

Diesel fuel is still king in the trucking industry, but electric trucks are expected to emerge as legitimate options over the next decade. Some have predicted sales of e-trucks could make up about 5 percent of all truck sales in 2026. But until then, controlling the cost of diesel is paramount to being a successful owner-operator.

You can make the wisest business decisions about fuel when you know your fuel economy, expressed in miles per gallon, and your fuel cost per mile (CPM).

Calculate your mpg simply by tracking your mileage between fill-ups and dividing the total by the number of gallons you burned. Do this for all trips. Fuel economy constantly changes, affected by weather, loads, routes, traffic, terrain, road surfaces and other factors. Many may be out of your control, but no problem can be remedied if it isn't noticed.

It's helpful to know mpg per month, per week and even per load. That occasional haul of steel across the Appalachians may be costing you more in fuel than it's worth. If your numbers look bad, don't give up; the worse your fuel economy, the more you have to gain by improving it.

Armed with your mpg, calculating your CPM is easy. Suppose your truck gets 6 mpg, and you ran 6,000 miles in a month, meaning you burned 1,000 gallons (6,000 divided by 6). If diesel averaged $3 per gallon that month, your total cost was 1,000 x $3, or $3,000. Your fuel CPM was $3,000 divided by 6,000, or 50 cents – likely the largest single chunk of your total CPM. It will pay you huge dividends to consider strategies for cutting your fuel bill.

For good fuel economy, your truck has to overcome three things: rolling resistance, air resistance and gravity. Fortunately, your driving technique and other choices you make can address each of these.

REDUCE AVERAGE SPEED

Owner-operators get no shortage of "encouragement" from shippers, consignees and others to hurry, so it's easy to get into the trap of driving fast. But speed is the main reason for increased fuel consumption and reduced profit. Experts agree that every mile per hour driven over 60 mph reduces fuel economy by one-tenth of a mile per gallon. The typical argument against driving slower is that

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you can make better time by driving faster and therefore make more money. But compare one driver running at 70 mph and another running at 60 mph. Driver A is 10 miles further down the road than driver B, but at $4 per gallon, he's spent $12.25 more to go those 10 miles in the same amount of time.

That might not seem like much money, but the impact over an entire year is stark. If you drive 130,000 miles per year and average 5.5 mpg vs. 6.5 mpg because you drive faster, you will spend $12,727 more on fuel. In essence, you gave yourself a 10-cent-per-mile pay cut.

Most owner-operators net about 50-60 cents per mile. If you divide the extra $12,727 fuel expense that driving faster costs by your net per mile of 50 cents, you would have to drive 25,454 miles more per year just to pay for the extra fuel. When you look at it this way, speed actually costs you time. Throughout the year, the hours of service limits will mean that on some days you'll log fewer miles at 55 mph than you would at 65 mph. Even so, you won't lose anything close to 25,454 miles.

LIMIT IDLE TIME

Idling requires about a gallon of fuel per hour, which can cost you about $120 per week at $3 per gallon if your truck idles eight hours a day. According to the U.S. Environmental Protection Agency, line-haul trucks not equipped with auxiliary power units might idle about 20 percent to 40 percent of the time the engine is running to power climate-control devices and sleeper compartment accessories and to prevent startup problems in cold weather.

Just because idling is common doesn't make it smart. Idling easily can cost you a few thousand more in fuel alone per year, not including the added engine maintenance expense that results from excessive idling, harder on your truck's engine than highway driving. In addition to operating costs, many governments impose no-idling laws with fines as high as $25,000.

Instead, there are many alternatives. An extra blanket for cold temperatures and window screens for when the weather is warm make it easier to turn off the engine. For about $80, you can buy a remote starter with a temperature sensor that will start the truck at a specified temperature. Infrastructure in truck stop parking lots to provide electrical power and auxiliary heat and air has continued to increase over recent years.

Auxiliary power units (APUs) can pay for themselves in a reasonable amount of time. A mobile generator costing as little as $200 will burn less fuel and provide heating and cooling. Not idling is even a point of pride for many truckers who long have realized the benefits of shutting down the engine.

Choosing idle-reduction technology. This can be a difficult decision. Systems and costs vary widely. Diesel-fired heaters are near the bottom of the cost range for purchase and annual maintenance (about $1,000 with purchase and a year's worth of maintenance). Full-function diesel APUs/gensets are at the top, up to $8,000 or more, and battery-powered systems have become common at similar or lessser price points.

Search with two main goals – finding a system that fits your application and one that gives a healthy return on investment.

Evaluate your idle-reduction need by keeping a detailed idle log. Write down every time you idle and why. Keep track of hours idled and sort them by reason, such as air-conditioning, heat, AC power, warming the engine, etc. Try this for a year, accounting for all seasons. That may not be practical, but

THE POWER OF 2

Improving fuel economy will yield substantial savings. Here's an example of savings achieved by improving by 2 mpg, not an impossible prospect with today's technology. Figure diesel at $2.50 per gallon, close to 2016's average price, and at $5, which was close to the peak price in 2008. Assume 120,000 miles per year.

	Gallons	$2.50/gal.	$5/gal.
5.5 mpg	21,818	$54,545	$109,000
7.5 mpg	16,000	$40,000	$80,000
Savings	**5,818**	**$14,545**	**$29,000**

if you keep this log for three months and are disciplined in your records, you will be able to make good estimates for the other seasons.

Idling solutions have pros and cons, and most revolve around the reason for idling; if you idle only because you need heat, then a full-blown APU is overkill. A better solution is a small diesel-fired heater – easy and inexpensive to use.

If you idle to produce AC power for a computer, TV, coffee maker, microwave, etc., you also can find inexpensive alternatives to a diesel-powered APU. Inverters and high-capacity battery systems will keep small appliances running for days. Add a small solar panel, and you can keep the batteries conditioned and extend that time as well, perhaps using some of the new electrified parking installations if you need to park for an extended period.

Once you have a clear understanding of how often you idle and why, research the options in today's market. Then calculate the break-even point and return on investment for each solution.

OTHER SMART PRACTICES

In addition to reducing speed and idling, there are several other good fuel conservation practices, each of which can reduce your fuel bill by 1 percent to 3 percent – or several hundred dollars a year:

WATCH CASH FLOW. Don't tie up money needlessly in the fuel tank when downtime of a few days or more is expected. If you know a low-price area is on your route, don't fill up at a more expensive stop; limit your purchase based on your mpg.

TAKE CARE WITH BIOFUEL. Biofuels tend to be expensive and produce lower fuel mileage. Know the level of biofuel (B20, for example, is 20 percent biofuel) that is allowed under your engine warranty, and use only OEM-approved fuels. Carry extra fuel filters, as biofuel can cause clogging.

MAXIMIZE STORAGE. Whether you're buying a used or a new truck, opt for larger dual tanks. This gives you the option of pigging out on super-cheap fuel and cutting down on the number of fuel stops, saving time.

SPEC YOUR TRUCK WISELY. Your paycheck will show whether you chose a truck with a big engine and a lot of chrome or a truck engineered to meet your business needs and help you succeed. First, there is the initial extra expense for the purchase, then the added cost of fuel consumption. Weight and maintenance are in even sharper contrast between a lifestyle truck — a wannabe show truck — and an aerodynamic truck that is an efficient tool for business. In fuel savings alone, the aerodynamic truck generally more than offsets the resale value of the stylish truck. It also yields greater load capacity, more comfort, less noise and higher profit.

On the other hand, operators with too-low horsepower settings for the application will find their feet always hard on the throttle, consuming more fuel. Some have benefited in fuel economy by retuning the engine control module for maximum fuel economy, installing full-flow mufflers or using one of several new engine/transmission combinations built for maximum mileage, offering peak torque at much lower rpms than traditional diesels.

PERFORM REGULAR MAINTENANCE. This ensures your

GETTING WITH THE PROGRAM

Owner-operators often can save a hefty amount of money when they are able to participate in discount fuel networks.

If your fleet has a fuel-optimizer program, use it. An optimizer program helps an owner-operator plan a trip based on fuel prices and locations in the carrier's fuel network. Fees for using such networks have become rare thanks to competition for drivers.

Owner-operators are well advised, however, to pass up network fuel stops that are too costly, are too far off route, sell inferior fuel, are dangerous or poorly maintained, or are perceived as a profit center for the carrier at owner-operators' expense. If you have concerns about a stop on the fleet network, respectfully bring them to the fleet's attention.

The National Association of Small Trucking Companies offers members the opportunity to tap into the association's directory of fueling stops to find the lowest prices.

truck is running efficiently. Also, check your current miles per gallon at each fill – if it falls off, determine the reason. Start a preventive maintenance routine; check often enough to catch low oil, a dirty air filter or an air compressor leak. Don't use a higher-viscosity oil than you need.

MAINTAIN TIRE PRESSURE. To reduce rolling resistance, check air pressure in all 18 tires and fill them up at least weekly to the manufacturer's specifications. The trailer tires may belong to your carrier, but why pay the extra cost of pulling a trailer with underinflated tires?

SLOW YOUR ACCELERATION AND DECELERATION. Both will consume less fuel and be easier on your equipment. Slowing acceleration is especially important running on hills or in the mountains because it helps reduce the effects of gravity. Rapid acceleration gets you an extra few seconds but creates premature wear on the engine, driveline and tires – along with increasing your fuel costs.

SHIFT WISELY. Don't drive by engine sound but by rpm. If you're not absolutely sure about your engine's sweet spot, ask the manufacturer.

CUT OUT-OF-ROUTE MILES. If you're like many owner-operators, with 6 percent to 10 percent of your miles out of route, you possibly could cut them by 3 percentage points. Doing so would save an extra 3 percent on fuel, as well as on other variable costs such as tires and maintenance. Rethinking your route, keeping side trips to a minimum and using precise directions will pay off in savings.

GETTING A FUEL SURCHARGE

Since fuel prices surged two decades ago, fuel surcharges have become widespread to help carriers and their operators guard against further price spikes.

HOW TO FIGURE WHAT A SURCHARGE IS WORTH. As long as you know your truck's fuel economy, you can calculate how well a fuel surcharge compensates you for rising prices.

Many carriers pay a surcharge when the national average price for a gallon of diesel, as reported weekly by the U.S. Department of Energy, exceeds a certain price – often $1.10 to $1.25. The surcharge increases incrementally with diesel prices, either on a cents-per-mile basis or on a percentage of what the customer pays the carrier for the load. Carriers often structure their surcharge scale by assuming a certain fuel efficiency, such as 6 miles per gallon.

Some owner-operators make a healthy per-mile profit from their carriers' surcharge because good fuel economy practices allow them to average better than 6 mpg. Surcharges traditionally have been based on the national average of diesel prices.

In recent times, particularly in the case of dedicated regional routes, they are based on regional prices or prices along specific lanes. This can be a double-edged sword with customers; the same company that will pay extra for loads traveling only in Western states might ask for a discount on trips in other areas.

For independents with authority, develop your own surcharges for contract rates quoted to shippers, and know that most brokers negotiate all-in rates irrespective of any added surcharge. Making certain those rates sufficiently cover current fuel costs with plenty of profit left over is key.

SURCHARGE FIGURED AS PER-MILE. Suppose a surcharge is designed to cover increases above $1.25, and fuel costs $2.50. Ideally, you'll receive a surcharge covering that $1.25 spread.

If your truck gets 6 miles per gallon, divide $1.25 per gallon by 6 mpg. That equals 21 cents per mile. A surcharge at that level allows you to break even. Now assume you actually get 7 mpg. Dividing the $1.25 by 7 means a surcharge of only 18 cents per mile is needed to break even. If you're driving for a fleet that has a surcharge based on its company trucks' 6 mpg average, you come out 3 cents per mile ahead.

SURCHARGE FIGURED AS PERCENTAGE. When a surcharge is a percentage of gross revenue, the calculation is similar. Take the same situation – you get 6 miles to the gallon and diesel is $2.50 a gallon, so you need a surcharge of 21 cents per mile to cover your costs. Assume you're offered a 1,000-mile haul for $1,100 in gross revenue. Start with your surcharge target of 21 cents per mile, and multiply by miles.

Now see what your $210 surcharge would be as a percentage of the gross. Divide it by $1,100 to get 19 percent. That's the level you need to cover your extra fuel costs.

There are no rules covering fuel surcharges. As with freight rates, anything goes. But once you understand how surcharges work, it's easy to see the potential for profit. Because fuel surcharge calculations involve some sort of fuel mileage average, a fuel-efficient owner-operator or small fleet owner always can beat the averages.

As fuel prices have remained lower than the $4-plus peak they hit several years ago, owner-operators have had to get used to seeing lower fuel surcharges. With lower prices, though, ATBS' Todd Amen notes that drivers now can top off their fuel tanks rather than only filling halfway up and forcing more frequent fuel stops.

If you find that you're depending too much on your fuel surcharge, you may not be charging a high-enough rate to haul the freight.

FINDING THE CHEAPEST FUEL

An effective fuel-buying practice is to maximize fuel purchases in low-fuel-tax states and mileage run in those states. The International Fuel Tax Agreement between the United States and Canada facilitates the reporting, collection and distribution of taxes to states and provinces. You pay taxes every time you fuel, but your ultimate fuel tax bill is calculated according to where you drive. If you purchase fuel in high-tax states and drive most of your miles in lower-tax states, you will get a refund when you file your IFTA report.

You cannot reduce your tax outlay unless you choose hauls that avoid high-tax states. What you have more control over is how much you pay strictly for fuel when the fuel tax is not considered.

PUMP PRICE MINUS TAXES = REAL COST. The key to finding the cheapest fuel is to know the current fuel tax rates, both federal and state, and any state surcharges. Subtract taxes to find the raw fuel cost in each state, then buy where fuel is cheapest. The strategy means that you buy without regard for whether you are paying more at the pump – or in taxes.

IFTA also considers state surcharges, which complicates the fuel-buying strategy. Indiana, Kentucky and Virginia have per-gallon surcharges; Kentucky, New Mexico, New York and Oregon have per-mile surcharges. While some owner-operators buy only enough fuel to get through surcharge states, this practice can backfire, depending on the actual cost of the fuel in each state. There may be times when buying more fuel in a surcharge state is more economical.

Part of the challenge in smart fuel buying is keeping up with changing surcharges and taxes; Georgia, Massachusetts and New York revise their fuel taxes quarterly, and North Carolina revises its own semi-annually.

Other fuel-buying costs depend on how your fuel taxes are managed. Most leased owner-operators depend on a carrier to collect and distribute fuel taxes. If you're leased and your carrier handles your fuel taxes for you, simply look for the cheapest pump prices. Some carriers charge a fee for this, and some pay simply by averaging the mileage of their entire fleet. If your carrier does that, and you average a better per-gallon average than the fleet, you could be paying more tax than you actually owe. For this reason, some make the case that it's always best for an owner-operator to handle his/her own fuel taxes.

Whatever the case, a good lease will itemize all charges, including fuel taxes and how they are assessed. If your settlements do not reflect what is stated in your lease, you should ask for clarification and, if necessary, look for an alternate method of paying your tax. Not all carriers, however, allow leased operators to opt out of their system, so make sure you understand how the carrier handles IFTA before signing on.

You must get your own IFTA account to do your own fuel tax reporting, whether you do it yourself or through a third party. You do not have to have your own operating authority to get an IFTA account, but independent owner-operators must have such an account in their base plate state and be responsible for quarterly reporting.

CONTROLLING TIRE COSTS

KEEP YOUR NO. 2 VARIABLE EXPENSE TO A MINIMUM WITH SMART SPEC'ING

Just as a truck with improperly geared rears will incur extra costs for its owner, so, too, will a truck with the wrong tires. Many more factors than size account for having the right tire for a specific truck in a specific application.

A tire dealer can make recommendations based on vehicle usage and tire characteristics such as price, fuel economy, durability, traction, miles to removal, retreadability and tread depth and pattern.

All play a role in proper spec'ing, and smart spec'ing can save money in two ways: reducing tire cost per mile and fuel cost per mile. Attributes that reduce one cost can have the opposite effect on the other cost, so tread carefully. That's easier said than done at a time when specialization abounds.

Tire makers have moved in recent years toward products that are designed to meet specific service needs. Since longer tire life means lower costs, the effort put into careful spec'ing will pay off well. The four main tire applications are long haul, regional, on/off-road and urban. The different applications mean different tire lives, from as little as 20,000 miles for urban to more than 200,000 miles for a long-haul team.

If you're spec'ing a new truck, you can pick any tire size suitable to your application. A new truck's drivetrain and engine controls are set according to the spec'd tire size. Replacement tires, however, may require drivetrain and engine adjustments. Changing tire sizes also might cause clearance issues.

PRACTICE GOOD HABITS FOR LONG TIRE LIFE

PERFORM ROUTINE MAINTENANCE. If a technician can initiate by hand even the slightest irregular movements in tie rod ends, kingpins, wheel bearings and torque rods, that spells trouble.

The plungers inside shock absorbers create friction, and friction creates heat, so if the shock, not the outer dust barrel covering the top half of the shock, is hot to the touch after driving, it's working. If it's cool to the touch, it's not working and should be replaced. Make sure bushings at the top and bottom of shocks are inspected and replaced whenever worn. If you can grab the shock absorber and rattle it, the bushings have pounded themselves out.

Shocks should be checked every maintenance service cycle and replaced in pairs if there's any sign of leaking fluid.

MAINTAIN PROPER INFLATION. Ironically, maintaining correct inflation is free and relatively easy, yet it's the highest-saving maintenance you can perform on your truck. Improper inflation is by far the greatest reason why tires fail or wear out prematurely, also wasting fuel. Daily pre- and post-trip inspections give owner-operators the opportunity to check pressures and also look for leaks, punctures, broken valve stems or embedded objects such as nails. Even absent damage, truck tires typically lose one to two pounds of pressure monthly from normal use. A slow leak might cost you one to three pounds of air a day. For each pound of pressure lost, a tire's on-road temperature rises about 2 degrees, and hot tires are prone to losing tread more quickly and failing. Don't overinflate, either; an overinflated tire sustains rapid and irregular wear and is more susceptible to damage from running over debris and scrubbing curbs.

Underinflated tires build up excessive heat, which can damage the tire and shorten its life. Inflation also affects performance, fuel economy and maintenance costs.

A Michelin study shows that a 15 percent over- or underinflation can reduce a tire's lifespan by 10 percent. Research from the American Trucking Associations' Technology & Maintenance Council has shown underinflation by just 10 percent – less than 11 psi on a 105-psi tire – can result in a fuel economy drop of 1.5 percent.

EMPLOY GOOD DRIVING HABITS. One element of tire wear you have complete control over is how the truck is driven under less-than-ideal conditions. More conservative driving over rough surfaces helps reduce wear.

Speeding, hard braking, curbing and tight turns cause tires to wear faster or even develop irregular wear. On the other hand, steady acceleration, braking and steering can extend tire life. Many of the problems caused by bad driving habits show up as uneven tire wear. If you notice unusual shimmying or repetitive bumps, inspect your tires. Even absent rough driving, look for irregular tread wear in your daily pre- and post-trip inspections.

FIGHT IRREGULAR WEAR. Check axles and suspension components (bushings, tie rod ends, kingpins, shocks, etc.), replacing any that show excessive wear. On the steer axle, change your shocks at least as often as you change your tires. On the drive axle, get more aggressive, replacing shocks halfway through the tire's life and when the tires are changed.

DOUBLE DOWN ON ALIGNMENT. Many people believe they should get new tires installed before they have a truck aligned. The opposite is true – take your truck to the alignment shop with the old tires on. That way, technicians can read your tire wear to learn what is wrong with the alignment and determine more precisely how to make adjustments that solve the problems. Also make sure your bearings are adjusted properly in all positions, and check for proper mounting – a simple inspection. Look for a ring molded into the tire where the rim and tire meet. Measure the distance from the rim to that line at four points around the tire; each measurement should be within 2/32-inch. If the variance is greater, the assembly needs to be broken down and remounted properly.

Mounting should be followed with a check of the radial run-out (deviation of the tire from a perfect circle) and lateral run-out (deviation of the sidewall from a perfect plane). Both measure how well the wheel assembly is mounted on the hub. Good quality run-out gauges cost less than $100.

More isn't always better. Rather than last longer, tires with deeper tread might wear faster, burn more fuel and make driving harder if they're applied wrongly. And the traditional miles-until-removal measure of tire performance more often now plays second fiddle in long haul to picking tires based on fuel economy.

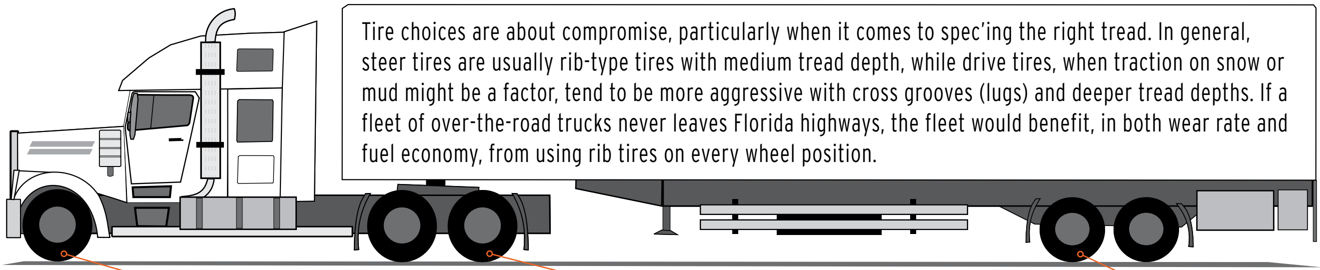
Some regional fleets are going to long-haul steers for low rolling resistance rather than tires with more scrub resistance designed for regional operation. The tires may wear faster, but they save enough in fuel to more than cover the extra tire replacement costs.

Consider this common tractor-only scenario: The steers have a 125 rolling-resistance rating, the drives are at 137, and the truck gets 6 mpg. Replacing steers and drives with the lowest possible alternatives for RR rating (97 and 86) improves fuel economy to 6.52 mpg.

While shallower tread depth equates to better fuel economy, it also usually means shorter tire life. The good news is tire manufacturers are using technology to counter this inherent tradeoff, using different compounding and silicate makeups to help enhance life.

Understanding tread by position

Tire choices are about compromise, particularly when it comes to spec'ing the right tread. In general, steer tires are usually rib-type tires with medium tread depth, while drive tires, when traction on snow or mud might be a factor, tend to be more aggressive with cross grooves (lugs) and deeper tread depths. If a fleet of over-the-road trucks never leaves Florida highways, the fleet would benefit, in both wear rate and fuel economy, from using rib tires on every wheel position.



STEER

- Four or five straight solid ribs support lateral forces created during normal handling and cornering and by wind drag.
- Tread pattern design and tread compound resists irregular wear in long/medium-haul service or is cut- and chip-resistant for on/off-road service.
- Tread depth delivers long tread life while offering low rolling resistance for greater fuel efficiency.

DRIVE

- Tread pattern designed with closed shoulder (shoulder ribs) for long-haul service to prevent irregular wear and provide good handling.
- Tread pattern designed with open shoulder (shoulder lugs) for regional operation, offering secure traction. Blocks in the central tread for all.
- Deep tread for long tread life, but a low rolling-resistance compound for fuel economy.

TRAILER

- Shallow tread delivers longer life and guards against irregular wear.
- Strong solid shoulders for strong dragging forces and scrub.
- Special compound reduces rolling resistance.

OTHER SMART TIRE SPEC'ING PRACTICES

SHOP FOR THE BEST VALUE. Get the most for your money, whether you spend a little or a lot. It's tempting to shop primarily by sticker price, but cost per mile and retreading potential are more important considerations. Making an informed choice means keeping written and dated records of purchase, fuel mileage and tread depth, then comparing records between models you've used. Consider warranty in any value calculation.

USE RETREADS. Premium tire makers design casings for retread use. New tires today can be retreaded up to four times after their initial tread life ends. The cost of a retread tire is half that of a new tire – or in some cases even less than half. On the downside, some carriers and state governments restrict retread use on steer axles. And not all retreads are created equal. If the retread isn't from a reputable dealer, or if its markings have been scrubbed off the side, think twice before buying.

A common practice is to buy new steer tires, place the first retread on the drive and the second on the trailer. Trailer owners have more potential for retreading because of options for repositioning tires.

Casings that are rated higher – with fewer repairs and lower heat history – tend to be placed on the drive axle since the torque on those tires leads to higher heat generation.

USE WIDE SINGLES. Wide singles weigh less and save fuel. One also costs less than the two tires they're designed to replace, although you have to buy new rims to get in the game. Wide singles are retreadable, too. With a fuel-efficiency gain of 4 percent due to the reduced rolling resistance singles offer, though, the nearly $2,000 yearly fuel savings will pay for the new wheels and tires in less than three years. If you're in a payload-sensitive application, the weight savings could yield bigger revenue, reducing that time period dramatically. An automatic tire inflation system can address the most common complaint about wide singles, inability to "limp" to the next service site with a flat, by keeping tires inflated to proper pressure.

GO LOW-PRO. For long-haul on-highway applications, a low-profile tire set-up with a shorter height than width offers advantages in fuel efficiency, handling, weight, overall truck height and tire life over more standard configurations. The aspect ratio – sidewall height measured in a percentage relative to its width at its widest point – of the most common 11R22.5 tires is about 100 percent, meaning the sidewall height and width are the same. Low-pro tires' aspect ratio is about 80 percent with size designations such as 295/75R22.5.

MANAGING MONEY

BEST PRACTICES FOR HEALTHY CASH FLOW, DEBT AVOIDANCE AND IDENTITY PROTECTION

It's important to create a separate bank account that will be used to manage the income and expenses of your business. All income from your trucking business should be deposited there. In addition, trucking expenses should be paid out of this account. In the event of an IRS audit, having personal finances mingled with your business could cost you thousands of dollars. In addition, it will be impossible for you and your accountant to analyze your business accurately if your personal finances are mixed in with your business.

Every month you should write a "distribution check" or make a direct transfer online from your operating account to your personal checking account to cover your personal living expenses. The target amount can be determined by looking at the monthly personal and family cash requirements shown in your budget.

RESERVE ACCOUNT

Saving is not easy. It's much harder, though, when you deny the inevitable. Remember AIG? American International Group's fatal exposure during the financial crisis of 2008 was insuring bonds blindly based on subprime home loans. When it came time to pay up, AIG had its pants down. It had to rely on a $183 billion taxpayer bailout to honor its commitments.

Like insurers and banks, you're subject to developments that could threaten your livelihood. At the very

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least, you know your equipment will wear out. Smart owner-operators save for maintenance in proportion to miles run. See Chapter 12 for savings recommendations.

The best owner-operators have at least $5,000 in reserve before they ever go into business. The purpose of the reserve account is to set aside money for large or unforeseen items that could put a substantial drain on your operating cash, such as major maintenance items, tires, quarterly estimated taxes and insurance deductibles.

CASH FLOW PROBLEMS

A few sure ways to avoid financial trouble as an owner-operator:

MINIMIZE CASH ADVANCES. When they become owner-operators, many drivers carry forward the company-employee habit of taking weekly cash advances for expenses.

Undisciplined owner-operators have been known to use that cash on unnecessary accessories, entertainment and other unbudgeted expenses. Frequent and unwise use of cash advances can make it difficult to get a true picture of where your money is going. Also, since this cash already is deducted from your settlement, it can be mentally defeating to keep getting small settlements. In addition, transaction fees can add as much as 10 percent to the advance.

Work toward using your business operating account, not cash advances, to manage your cash flow.

AVOID BEING OVER-LEVERAGED. Back in 2005, free-wheeling lenders and home buyers thought housing prices would rise forever. Lenders made ridiculously large loans to borrowers with ridiculously low incomes and credit ratings. It was just a matter of time before widespread defaults would bust everyone's bubble.

It can be easy for an owner-operator to rack up too much debt. A large truck loan with double-digit interest is bad enough; throw a few maxed-out credit cards in the blender, and you've got a deadly concoction. Successful owner-operators never take on more debt than they can manage to repay on a regular schedule.

AVOID OVERDRAFTS. There's nothing like logging in to your bank account to see a negative balance and outrageous overdraft fees. Numerous banks use a tiered structure for those fees; they go up as more checks bounce. And some banks have developed keen memories. That check that bounced a year ago could mean your next mistake will trigger the tiered rate.

• *Monitor your account.* Record every check as soon as it's written. Don't forget debit card purchases. Develop a system for logging automatic monthly drafts, such as for utilities, whether it's an item in a spreadsheet, a note on a calendar or a future entry in your checkbook.

• *Use overdraft protection.* Most banks offer this service, which automatically draws from your savings or credit card account to cover a bad check. If using savings, you obviously need to keep a good stash to make it work. Linking to a credit card is a less favorable option, but if it's paid off quickly, it's still a lot less costly than bouncing a check.

• *If you don't have online account access, get it.* Even if you don't pack a computer on the road, once you're signed up at your bank or credit union for mobile banking via your smartphone, you can manage your finances anywhere you have web access or a cell signal. That includes checking your balance and cleared checks and purchases, as well as deposits and moving money from one account to another.

INDEPENDENTS, USE A FACTOR. The demand for cash when starting your own company presents many challenges. Late payments, long billing cycles and high fuel costs contribute to why half of small businesses fail in their first year.

If operating under your own authority is your intention, consider using a factoring company to enhance cash flow and provide the support that will help build up your cash reserves. Factors offer independents quick access to the cash tied up in their invoices, less a discount.

Factors such as TBS Factoring Service also provide benefits that include collections, broker credit information, accounting services and discounted fuel networks with significant volume savings.

There are two types of factors. With **recourse factors,** if the factor is unable to collect on certain invoices, the factor retrieves its payment from the owner-operator, who is ultimately responsible for the collection. **Nonrecourse factors** are the opposite, and since they assume total responsibility for collecting, the rate (typically 5 percent) they charge will be higher than that of recourse factors.

CREDIT CARDS. It is useful to have a business credit card. However, owner-operators often spend too much because the using the card is seemingly painless. Yet if a credit card balance is not paid off at the end of each month, the interest charges, sometimes exceeding 18 percent, can mount rapidly.

You'll get the best rate on credit cards, as well as other forms of lending, by keeping a high credit rating. Federal law now requires each of the three major credit reporting companies to send you a free copy of your credit report, on request, once a year. Visit www.annualcreditreport.com.

If you're going to use credit cards, reap the benefits of use by selecting one with a rewards program. Many credit cards have programs that reward use of the card with merchandise, travel credits or other incentives. For business use, cash-back rewards are usually the most measurable and cost-effective. Bankrate.com offers comparisons of current rewards and other terms for leading cards. Study offers carefully because high annual fees and interest rates can wipe out the value of rewards.

ALTERNATIVES TO CREDIT CARDS

Comdata and similar fuel cards are available to independents looking to combine maximum fuel discounts with the accounting aspects of a debit card tied to a traditional bank account. For single-truck and other small fleets, the Comdata discount fuel network can be opted into for discounts off the cash price. As part of Mastercard's Maestro point-of-sale network, all Comdata cards are usable anywhere the Maestro logo appears. Comchek Mobile in recent times also has taken funds management to mobile devices.

Another is the FleetOne Truckers Advantage card for Owner-Operator Independent Drivers Association members. The NASTC Quality Plus Network for National Association of Small Trucking Companies members is also well-known for access to discounts comparable to large-fleet volume discounts.

FUEL CARD RESOURCES

Comdata: www.comdata.com

FleetOne Truckers Advantage: www.truckersadvantage.com

NASTC Quality Plus Network: www.nastc.com

LOOK FOR BIG UPSIDE POTENTIAL

Before the housing market showed visible signs of impending doom, a scattered handful of clever guys studied mortgage data that seemingly smart people overlooked. The few independent thinkers, and later others, placed virtual bets that trillions of dollars in home loans were going to go bad within months. They could lose a little if they were wrong, but could make fantastic profits if they were right. They were.

Likewise, most owner-operator businesses stick to a leased operation with ordinary freight. That's fine for an operator who's satisfied with his net income. Those with large incomes, though, almost always have grasped opportunities others overlook.

It could be shippers ripe for the picking by a small independent operator. It could be niche hauls that require special trailers, elaborate securement or tedious government clearance. Making these moves requires risk, money and time, but the return can be substantial.

Such opportunities increase on the recovery end of economic cycles. It's easy in the flush of good times to forget lessons so clearly illustrated during hardship. It's best to have a good memory.

CHAPTER 8

INCOME TAX AND OTHER TAXES

GOOD PLANNING AND RECORDKEEPING HELP KEEP THOSE PAYMENTS AT A MINIMUM

Among the biggest challenges in operating your business is understanding how you are taxed.

This is an area where many new owner-operators run into problems. You can avoid any big surprises on April 15 by using good planning and recordkeeping throughout the year.

As an owner-operator, you now are responsible for paying your taxes yourself and calculating the net profit for your business. For anyone who was a company employee, this is a major change. It was your employer's responsibility to deduct all required taxes from your paycheck, which then were reported on the W-2 you received in January of the following year.

Now you will receive a Form

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1099 MISC, which shows the gross earnings your carrier reported to the Internal Revenue Service.

Your weekly settlement statements and receipts provide the explanations for the deductions that will help you arrive at your net pay. If you examine the weekly net pay of a typical company driver, you might conclude that owner-operators make more than twice the money.

But no taxes are deducted from owner-operators' settlement sheets or payments from brokers and shippers, to say nothing of expenses.

Furthermore, owner-operators do have to pay the same taxes as the company employee, plus the employer's share of the Social Security and Medicare taxes (both considered self-employment taxes). As an employee, only 50 percent of the self-employment taxes were deducted from your pay, but as an owner-operator, 100 percent of these taxes must be paid on the net profit of your business.

Both are paid on Form 1040 at the end of the year, but estimated tax payments must be made each quarter. They're often 20 percent to 30 percent of the net income received over the quarter. Complying with this regulation not only avoids a penalty, it also eliminates any surprise of a huge tax bill as April 15 approaches.

TYPES OF TAXES

SELF-EMPLOYMENT TAXES. These equate to the Social Security and Medicare withholdings paid through a company for employees. For 2018, rates are unchanged from 2017 at 15.3 percent. This is made up of 12.4 percent Social Security tax and 2.9 percent Medicare tax.

FEDERAL AND STATE INCOME TAX. This is calculated on your tax return. As a company employee, this amount was estimated and withheld from your check. As an owner-operator, you are responsible for its estimation and payment.

ESTIMATED TAX PAYMENTS. Those who expect to owe at least $1,000 in tax after subtracting withholding and credits are required to make quarterly payments of self-employment taxes and federal and state income taxes. Though the IRS allows estimates based on the prior year's data, owner-operator financial services provider ATBS uses current data to compute estimated taxes due.

For payment vouchers and addresses for IRS estimated payments, as well as other federal tax information, visit www.irs.gov. Each state that imposes income taxes has a website to obtain their payment vouchers and addresses.

The IRS works like any other business. If you make a late payment, or no payment, it is authorized to apply penalties and interest based on the amount of tax due.

DEDUCTIONS AND RECORDKEEPING

Owner-operators have to estimate the profit of their business so that estimated tax payments can be made. The profit also is used to calculate the taxes due at the end of the year when the Form 1040 is filed. The profit equation you should use is:

GROSS PAY
(as reported on 1099-MISC)
− ALLOWABLE
BUSINESS EXPENSES
= NET PROFIT

If you fail to show deductions or file a tax return, the IRS will determine the taxes that are due based on their estimate of your income from 1099s provided by your business partners and not consider your deductions/expenses. This amount certainly will be much higher than you otherwise would have been required to pay.

As an owner-operator, you have many deductible expenses. The main criteria in determining deductibility are whether you have a record of the expense and whether it is an ordinary and necessary business expense. Other than honesty, the best protection from audits and penalties is good recordkeeping. Keep all records that support every deduction you claim on your tax return, beginning with your logbook for those per diem deductions.

With electronic logs, make sure you download your books every month or so for tax purposes; a leasing carrier is not likely to keep them beyond the time required for compliance.

Save and label expense receipts, maintain an expense log or spreadsheet, and sort it all at the end of every run.

A receipt is the most obvious evidence of a deductible purchase, but you also can use canceled checks, bills, credit card statements, invoices, an expense notebook – anything showing when, where and what you bought and how much you paid.

Don't be too quick to label expenses "miscellaneous," either; the more specific you are, the better.

Don't forget to collect receipts for lumper fees or any expenses automatically charged to your credit card such as tolls, scales and credit card fees. Many owner-operators maintain separate credit cards for business and personal use just to simplify keeping track of such expenses.

Don't overspend on supplies, equipment and services in your zeal to accumulate deductions. Only a portion of those expenses will be recouped through your tax filing. IRS Publication 552 goes into aspects of keeping records you might not have considered, such as the kinds of records to keep and how long to keep them.

You can download the publication "Recordkeeping for Individuals" from www.irs.gov or have it mailed by calling (800) 829-3676.

PER DIEM EXPENSES

The per diem is the tax-deductible amount the IRS assumes you spend on meals, beverages and tips when you're away from home on an overnight business trip.

The new tax law, the Tax Cuts and Jobs Act (TCJA), effective Jan. 1, 2018, does not allow a taxpayer to deduct unreimbursed business expenses as an itemized deduction on Schedule A.

This was passed in an effort to simplify tax preparation since most taxpayers do not itemize their deductions.

For company drivers, per diem is considered an unreimbursed business expense and therefore is no longer deductible. The only way a company driver can benefit from per diem under the TCJA is if the carrier reimburses per diem as part of the driver's pay.

Per diem for owner-operators is an ordinary and necessary business expense reported not as an itemized deduction, but as a business expense on Schedule C. It directly reduces the self-employment taxes and income taxes owed on the return.

It's important to realize you can't deduct your total per diem from your tax bill dollar for dollar. But owner-operators still can deduct 80 percent of the total per diem of $63 a day, or $50.40.

There's the option of direct expense deductions, but meals are deductible at only a 50 percent rate, so an owner-operator would have to consistently spend more than $100.80 per day to exceed the per diem's $50.40 (80 percent of the $63).

To claim the per diem on any trip, you must be away from home for the night, which you can prove through your logs. A trucker who leaves the terminal before dawn, works a 14-hour day and then returns that night has not worked a single day for the per diem deduction by IRS standards because he didn't spend the night somewhere.

DEPRECIATION

The standard depreciation for a Class 8 truck, commonly called "straight-line" depreciation, is an evenly paced three-year deduction that's spread over four tax years: year one, 17 percent of the cost of the truck; years two and three, 33 percent each; year four, 17 percent.

Also common is a variation of the four-year formula known as accelerated depreciation. It takes 77 percent of the equipment's value in the first two years, 23 percent in the final two.

As a result of the new TCJA

WHAT'S IT WORTH?

In this example, keeping records of business expenses saves $515 in income tax for someone in the 15 percent tax bracket, or more if a state income tax applies.

EXPENSES	
Personal vehicle use	$200
Contract labor	$700
Work clothing	$300
Credit card charges	$500
TOTAL	**$1,700**

TAX SAVINGS	
Self-employment tax (15.3% of $1,700)	$260
Income tax (15% of $1,700)	$255
TOTAL	**$515**

YOUR ROLE IN TAX PREP

If you want to avoid the most common mistakes seen in owner-operator tax returns, you need to get involved in checking the major numbers your tax preparer uses. Doing this can save you thousands of dollars in taxes. Or it could save you from thousands of dollars in penalties and interest if your preparer makes a stupid mistake in your favor.

An example: A husband-wife owner-operator team had a feeling something wasn't right on their return, though it had been prepared by a trucking specialist. The couple had shown a net operating loss on their Schedule C for seven years; an operating loss is often the result of high depreciation. Their most recent tax return, however, showed less than $1,500 in depreciation.

The preparer, following settlement sheets that separated mileage pay from fuel surcharge pay, was including only mileage revenues in the gross numbers. Fuel surcharge payments were listed under "reimbursements," which is not standard accounting practice. So gross revenue was less than $100,000 each year, even though the per diem showed more than 250 days on the road each year. This is an absolute giveaway that the gross revenue is incorrect.

This mistake resulted in underreporting income by $20,000 to $40,000 per year for seven years. Tax was underpaid by $3,500 to $7,000 per year. With interest and penalties, the liability could be as high as $75,000.

Here's what you can do to avoid such situations:

SPOT-CHECK YOUR 1099 TOTAL. Most leased owner-operators make about $1.20 or more per mile with the fuel surcharge included. The number of dollars on your 1099 should be higher than the number of miles you ran during the year. If they're similar, it's close to $1 a mile, possibly indicating missing surcharge revenue.

VERIFY THE ACCURACY OF THE 1099 AMOUNT. Having established that the amount is reasonable, go further. A relatively small mistake, like an extra $5,000, wouldn't jump out, yet you would pay $1,000 in tax you didn't owe. Verify the amount by adding each settlement to determine your 1099 revenue.

CHECK AT LEAST THESE THREE EXPENSES.

- *Fuel.* You know the rough amount of your weekly fuel spending. Multiply that by 50 (assuming you took off a few weeks) to get a year's estimated total.
- *Maintenance.* See how your big expenses add up. If you know you had one $8,000 repair and total maintenance is just over $10,000, there's probably a mistake.
- *Per diem.* Look at your Schedule C for meals and entertainment. Take the total number of nights away from home, and multiply it by $63. Then multiply that number by 0.8. That should be your total deductible per diem.

If you find mistakes or red flags for one of these categories, continue checking entries, from largest dollar amount to smallest. If amounts in these are correct, odds are the tax return has been prepared correctly.

legislation, if an owner-operator chooses, he or she may deduct 100 percent truck and trailer purchases until the end of 2022.

Starting in 2023, this bonus depreciation deduction dwindles 20 percent a year until 2026, and it's eliminated in 2027. However, the bonus depreciation deduction can be taken only in the year the equipment was purchased.

Another change made under the new tax law is that bonus depreciation can be used for both used and new assets. Under the previous tax law, bonus depreciation was allowed only on new assets.

Should equipment expenses exceed operators' income for the year, which is likely for the year the equipment is bought, the bonus depreciation deduction cuts income to zero. The new legislation allows them to carry that loss forward into the next year, which could help lower their tax bill for that year and even subsequent years. When the bonus depreciation rate begins to fall in 2023, owner-operators likely will return to using the standard depreciation deduction.

Accelerating depreciation like this, however, is no magic bullet. It's not for everyone, given it could speed the higher tax bills that come when depreciation runs out. That also could move the taxpayer into a higher tax bracket. Too many owner-operators have used a similar tactic attempting to catch up after they've failed to make their estimated quarterly taxes.

Owner-operators with a full tank of financial self-discipline can use bonus depreciation to zero out tax bills as long as possible while also diligently saving enough each year — typically 8 percent of gross revenue — for the inevitable day when the IRS comes calling.

LEASE VS. PURCHASE: A TAX ANALYSIS

If you are leasing your truck, you can deduct the entire amount of the payment each month.

Example 1: Tom leased his truck Jan. 1. He is paying $2,000 per month. His total deduction is $24,000 ($2,000 x 12).

On the other hand, if you are purchasing your truck, you can deduct the depreciation on the total cost of the truck and the interest charges that are included in your payment. The truck is depreciated through accelerated depreciation over three years.

Example 2: Tom purchased his truck Jan. 1. The price is $60,000. He is paying $2,000 per month for four years to pay off the truck, 80 percent of which is interest in the first year.

His depreciation deduction in year one is 33 percent of $60,000, or $19,800. His interest deduction is $19,200. His total deduction is $39,000.

As these examples illustrate, the owner-operator who is purchasing his truck has deductions in the first year that are $10,200 greater than the lease driver. But in the fourth year, the lease driver still will have his $24,000 per year, and the purchaser will have $19,800 of depreciation left plus interest of $4,800 to deduct.

The purchaser gets higher deductions in the first three years with the fourth year close to equal. The net effect is a tax delay for the owner-operator purchasing the truck. The tax will be paid in later years, not eliminated by depreciation. Note also that if you trade every three years, erosion of depreciation may have set in by your fourth or fifth trade, and you've lost much of the tax benefit enjoyed by people who buy less often.

On the other hand, considered financially, it usually costs less to buy in the long term. Take, for example, the common five-year lease period measured against the likewise common five-year note on a new truck.

With a purchase price of $118,000 for an aerodynamic truck with a 70-inch sleeper and a comparable lease of the same truck, tax savings are greater with the lease – almost $7,000 more over five years.

However, all other things being equal, it makes more sense financially to buy since the total adjusted cost of the vehicle with conventional loan financing is $10,000 less than the cost of the leased vehicle after a 20 percent buyout at the end of the term. For more on this tough financial choice, see Chapter 10.

TAX CALENDAR

ITEM	DUE DATE
Individual tax returns: original due date	April 15
Filing extension due	April 15 (extends to Oct. 15)
Estimated tax payments	
1st quarter	April 15
2nd quarter	June 15
3rd quarter	Sept. 15
4th quarter	Jan. 15
Federal Highway Use Tax	Aug. 31 ($550)

MINIMIZING YOUR TAXES

Following are examples of tried and proven tax reduction tips:

GET HELP. The U.S. Internal Revenue Code is 3.4 million words long. In type this size, it would fill at least 60 issues of *Overdrive* magazine, with no room for photos or ads. That's why owner-operators need a business services provider who specializes in owner-operator businesses.

SAVE MONEY TAX-FREE. If you don't have a retirement account, start one. Up to a point, the money you put into an IRA, SEP or 401(k) is tax-exempt until you start drawing it out many years later. Put money into it regularly.

TRACK PERSONAL VEHICLE MILES. You cannot deduct mileage on your personal vehicle to get to and from work, but you can deduct it if you make a business-related trip to the bank, the post office, a business meeting, a truck show, a dealership, a supply store or a parts yard – even to a grocery

TAX MYTH	TAX REALITY
"In the year you start your business, you will owe no tax."	This is not true, especially if you are leasing your truck.
"You will get a big refund your first year."	You potentially can get a refund to the extent of taxes paid. 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.
"You should be incorporated."	Not necessarily. Incorporation only makes sense when the tax savings are greater than the additional costs. (See Chapter 9, "Choosing a Business Structure.")
"You don't have to make estimated tax payments."	Payments are required quarterly.
" 'Tax-deductible' or 'writeoff' means getting something free."	Most of the time it reduces your federal taxes only from between 15 percent and 30 percent of the value of the item purchased.
"You can deduct deadhead mileage and days off because of illness."	Because you deduct only your actual expenses while working and are taxed only on the profit you make while working, you're already getting a deduction for deadhead and time off.
"You can deduct the cost of your dog."	Generally the dog is deductible, as a security measure, as long as it is part of the trucking operation. Typically this means that the dog lives in the truck and is always with the truck.
"You can deduct out-of-route miles."	You deduct your actual expenses while working, which already includes out-of-route miles, as with deadhead, and you can't deduct anything twice.
"You can deduct the standard mileage rate for every mile you run."	You can deduct actual expenses or the standard mileage rate, but not both. For most owner-operators, the actual expense deduction usually makes sense.
"You can deduct tips for maintenance, tire changes, repairs, etc."	Only if you actually pay the tip. Falsely claiming tips is fraud.
"You can negotiate a deal with the IRS to pay back taxes at a few cents on the dollar."	Such deals, called offers in compromise, may be granted in extreme cases and are based on your ability to pay.

store if your purchases were business-related. Keep a log in which you note the date, mileage and purpose of each business-related trip.

For tax year 2018, the IRS deduction for business miles is 54.5 cents. There are also smaller deductions for other personal-vehicle miles: 18 cents for medical-related trips, and 14 cents a mile for charitable trips such as Meals on Wheels deliveries.

GIVE TO GOOD CAUSES. Donations to churches, charities such as the Red Cross and the Salvation Army, and nonprofits like Trucker Buddy all are tax-deductible if you itemize your taxes. Gifts to business associates are tax-deductible but limited: $25 in gifts per associate per year.

HIRE THE KIDS. If you put an adolescent child on the payroll and pay her, say, $4,000 for the year, she pays no taxes on the income because she didn't make enough – but you pay no tax on it, either. Make sure the kids are doing age-appropriate work, and keep documentation of it, including filing a W-2.

CLAIM TUITION TAX CREDITS. If you're paying tuition for yourself or your children to a qualified educational institution, take the tuition tax credit – a dollar-for-dollar savings off your tax bill, up to $2,500. Paying the full tuition by Dec. 31 will allow you to credit the entire amount on your taxes.

This only works for students seeking an undergraduate degree and enrolled at least half-time. There is a four-year limit on this credit.

USE THE CALENDAR. Keep a trucking-specific tax calendar at your home or in your truck. You can find one on the ATBS website containing important tax deadlines throughout the year and frequently missed tax deductions.

Before Dec. 31, buy whatever big-ticket business equipment you know you need: new tires, a laptop or an in-cab heater. Even if you buy it on credit, you get the tax benefit quickly while postponing the cost.

Deductions must be business-related. Here are a few examples:

- If you wash your truck at home, you can claim the cost of household water and detergent for washing the truck.
- You can deduct a flyswatter for your truck, flashlight batteries, cleaning supplies and a bunk comforter.
- You can deduct an entertainment expense if you buy dinner for a driver you are trying to recruit for your company.
- You can deduct coveralls, but not blue jeans. You can deduct steel-toed shoes, but not tennis shoes.

WATCH YOURSELF IN THESE AREAS

Potential audit problems for owner-operators:

NO FIXED RESIDENCE. Make sure you have an established residence where you collect mail, even if it's a parent's house you rarely visit. Without a home to be away from, you don't qualify for the daily per diem writeoff for meals.

QUESTIONABLE HOME OFFICE. The IRS rules for home offices are so strict that they exclude most owner-operators. Deductible home offices must be used exclusively for the business and nothing else, not even at nights and on weekends. That goes for any equipment in the office, including the computer and the TV set. More of a hurdle to truckers is that the deductible home office must be the operation's primary place of business and must be used regularly. In most instances, the home-office deduction is legitimate only when a driver has a spouse or partner who stays at home and regularly does the load booking, dispatching, handling of multiple trucks or other business functions. You'll also need your business services provider to help you with the paperwork, as the required IRS Form 8829 gets confusing.

MINGLED ACCOUNTS. No law requires separate business and personal checking accounts or credit cards, but the law of common sense says otherwise. If you've mingled church and state, good luck proving to the taxman that a grocery receipt was for meals in the truck.

IRS AUDITS

The IRS usually has three years to challenge deductions or income stated on your return by requesting an audit, so you should keep your records for at least three years.

The statute of limitations can be up to six years for returns where there is evidence of an understatement of income of 25 percent. If the return is found to be fraudulent with the intent to evade tax, or if no return is filed, an action can be brought against you at any time.

The fact that the IRS is auditing your return does not mean that you or your CPA made a mistake. The IRS periodically randomly selects some returns to determine compliance with its tax rules.

If you receive a notice you are being audited, the first thing you should do is contact the person who prepared your return.

However, only a Certified Public Accountant or Enrolled Agent can represent you in an audit. The IRS says 4 percent of tax returns filed by the self-employed with at least $100,000 in revenue get special attention.

Claiming substantial expenses not common to a single-truck owner-operator — such as utilities, advertising or inventory — might draw an audit. The reality of the owner-operator world is that a single engine rebuild can spike expenses for the year; income also can be volatile, especially for independents. If circumstances such as those put you among the one in 25 who meet face to face with the IRS, make sure you've got the documentation.

The ATBS Tax Resolution team specializes in helping owner-operators who get behind on their taxes and can assist with wage garnishments, IRS tax liens, IRS representation, audits, offers in compromise and more. Consultations with the ATBS Tax Resolution team are free and confidential.

You ultimately are responsible for your tax return. Some tax preparers are aggressive in claiming deductions; be aware of what's being submitted on your behalf, and make sure you're comfortable with it.

CHOOSING A BUSINESS STRUCTURE

WHAT LEGAL FORM WORKS BEST FOR YOUR OPERATION?

There are different ways to set up an owner-operator business. Each business form has its advantages and disadvantages, and one may work better than another for your particular situation. The advice of a CPA, tax attorney or business services provider who specializes in trucking is recommended before a decision is made. Here are the six types of businesses:

SOLE PROPRIETOR. This is a business owned by one person. It is the least expensive, simplest and least regulated type of business structure. Unlike the other forms, there is no formal setup, as it begins when you start earning revenue as an owner-operator. Many leased owner-operators stay with this form, though it has its downsides.

One is liability protection. In the eyes of the law, the owner of a sole proprietorship is the business. In the event of an accident, you could be liable for millions of dollars in damages and medical expenses. That's why it's important to carry bobtail insurance (or unladen liability – see Chapter 16).

Also, debt incurred by the business is the responsibility of the owner. If your business gets into financial trouble, creditors can seize your house and other personal possessions.

PARTNERSHIP. A partnership is similar to a sole proprietorship but is owned by more than one person. The individuals forming the partnership are taxed separately, as they would be if they were sole proprietors. A partnership also can be formed easily, but a written agreement is recommended to spell out duties, responsibilities and financial terms. Your business services provider can help you draw up a simple written partnership agreement.

The advantage of a partnership might be in having access to extra start-up capital or in providing a co-driver who can help you drive more miles. To be successful, each co-driving partner should bring something to

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the table, such as financial skills or mechanical expertise. Each partner is liable for the actions of the other in a partnership.

There are two types of partnerships:

Family or nonfamily partnership. Members of a family can be partners. However, family members (or any other person) will be recognized as partners only if certain Internal Revenue Service criteria are met.

Husband-wife partnership. If spouses operate a business together and share in the profits and losses, they may be considered partners whether or not they have a formal partnership agreement.

LIMITED LIABILITY COMPANY. The LLC is a common form for independent owner-operators with their own authority.

Like the S Corp (discussed below), the LLC offers protection for owners, and profits can pass through the owner's personal income tax return if the LLC has a sole-proprietor tax designation. This means you are not subject to double taxation such as in a C Corp. LLCs generally are simpler and more flexible than corporations.

However, an LLC can have an S Corp designation, in which case taxes are filed similarly to an S Corp. Each state treats LLCs differently. For instance, if the LLC is set up in Wisconsin and an accident occurs in another state, liability protection may be affected. LLCs can be expensive to set up.

LIMITED LIABILITY PARTNERSHIP. The LLP can be expensive and complicated to set up. It's generally not recommended for owner-operators.

CORPORATION. A corporation is different from a sole proprietorship or partnership because it is treated as a separate entity from its owners, shareholders and employees. Incorporation laws differ from state to state. Setup cost varies from a few hundred dollars to a few thousand. In addition, incorporating requires numerous forms, records and formal annual meetings. Incorporating outside your home state can lead to problems.

Normally, incorporating is not a good choice for owner-operators because costs usually exceed benefits.

There are two types of corporations.

C Corp. The corporation pays taxes on the income it earns. The driver is an employee of the corporation and should receive a payroll wage W-2 from the corporation. If the driver does not receive a payroll wage W-2, the amount taken out of the corporation is a dividend and subject to double taxation both at the corporate and individual level. To set up a C Corp, you must file articles of incorporation with your state. Do-it-yourself kits are available, but it's best to hire an attorney to avoid mistakes and to address state laws. This usually is not the best choice for an owner-operator.

S Corp. This allows the driver, still an employee, to report the income of the S corporation on his personal tax return. Since the income is taxable at the individual level, no double taxation exists. S Corp earnings are not subject to self-employment tax, but compensation must be considered "reasonable" or it immediately will be a red flag to the IRS and potentially trigger an audit. A good rule of thumb used by advisers at ATBS is to think about setting up an S Corp when net earnings consistently begin to exceed $70,000-$75,000 yearly. At that point, tax savings will be greater than the costs to set up and run the corporation.

DO YOU NEED AN EMPLOYER IDENTIFICATION NUMBER?

You need an EIN if you answer "Yes" to any of the following:

1. Do you have employees?
2. Do you operate your business as a corporation or a partnership?
3. Do you file any of these tax returns: Employment, Excise or Alcohol, Tobacco and Firearms?
4. Do you withhold taxes on income, other than wages, paid to a nonresident alien?
5. Do you have a Keogh plan?
6. Are you involved with any of the following types of organizations?

- Trusts, except certain grantor-owned revocable trusts, IRAs, exempt organization business income tax returns
- Estates
- Real estate mortgage investment conduits
- Nonprofit organizations
- Farmers' cooperatives
- Plan administrators

Also, if you provide health insurance for employees, you may need a National Standard Employer Identifier for electronic health transactions.

TRUCK BUYING, LEASING, FINANCING

DETERMINE YOUR BEST METHOD FOR ACQUIRING A TRUCK

It's no secret that affording a new tractor has become more complicated for owner-operators and many smaller carriers over the past decade as equipment costs have risen dramatically. Nonetheless, as acquisition patterns change, one of the most basic decisions you need to make remains the same: whether to buy or lease. Each option has advantages and drawbacks.

PURCHASING. When you take out a loan and arrange to finance a truck, you are buying the vehicle and will own it at the end of the contract. A loan requires monthly payments, usually over four to seven years for new power units. Your monthly payments include principal and interest. With many finance contracts, you pay more interest per payment in the early years, and pay down more of the principal per payment in the later years.

LEASING. Leasing is similar to renting. You pay for the use of a truck that is not actually yours. When the lease is up — usually in three to five years — you do not own the truck as you would if it were financed; you return it to the lease company. However, you can elect to purchase the truck at a predetermined price. This residual value of the truck is often agreed upon in the original lease document. Leasing models can vary greatly and differ from buying through a carrier's lease-purchase plan.

Traditionally, few owner-operators take this route toward acquiring equipment, though there's evidence that with the rising cost of new trucks, it's becoming more common. Maintenance contracts included as part of the deal, where the leasing company assumes responsibility for most maintenance, could be good insurance against emissions-system issues seen in 2007 and later model-year diesels.

DEFINE YOUR BUSINESS

Most potential owner-operators wouldn't dream of going

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to a carrier without already having a truck. Any reputable carrier representative will be eager to talk with you and help you understand his operation before you own the truck. As you talk with potential carriers, further outline your business model. This is a great opportunity to spec the right truck for the work you are planning.

Before talking with a sales representative about buying or leasing, make sure you can answer a few key questions:

• *Does the carrier have tractor restrictions that will affect your purchase?* Some companies won't use trucks that are beyond a certain age, or may require additional items such as a headache rack.

• *What fees apply to you as an owner-operator?* Are you required to buy base plates at startup? Does your carrier require additional purchases, such as an onboard communications system? When are these required?

• *How much will you need as a down payment for insurance?*

• *What are you being paid per mile or percentage, and what are the average miles per month you can expect to run?* Dispatchers and

BUYING/LEASING COSTS

This chart shows differences between traditional loan financing versus TRAC and full-service leasing in buying a $150,000 truck.

Traditional loan financing with zero down, 7 percent interest	TRAC lease with zero down, 15 percent ($22,500) residual at lease end	Full-service lease, including maintenance, truck registration, IFTA administration, vehicle replacement in the event of downtime, etc.
Loan term: 60 months	**Lease term:** 60 months	**Lease term:** 60 months
Monthly payment: $2,970	**Monthly payment:** $2,539 *[+ an average $375 reserved monthly to make ending residual payment]*	**Monthly payment:** $2,300 + 7 cents/mile = $2,853 (assuming 100,000 annual miles)
What you have in the end: Ownership, with the ability to earn income without the sizeable monthly payment	**What you have in the end:** Ownership, with the ability to earn income without the sizeable monthly payment	**What you have in the end:** Continued liability for a monthly payment. Options generally would be limited to starting a new lease or turning in the truck, though inking a new deal to finance the truck's remaining market value to take ownership, depending on the leasing company, may be an option
What you don't have: $178,211 in principal and interest	**What you don't have:** $174,840 in lease and residual payments	**What you don't have:** $171,180 or a truck unless you start a new lease or financing agreement

TRUCK LEASING TIPS

- Spec the most common type of truck for your application to maximize resale value.
- Compare the stated residual value with the resale value of a similar truck. Ask to see the truck's maintenance records before signing the lease.
- Don't rush. Check out two or more lease deals. If possible, have an accountant or attorney look at the deals. Try to negotiate.
- Get a written cost comparison between an outright purchase and a lease from each dealer. Have your accountant assess each.
- Make your lease term as short as possible, and know what happens at the end of the lease.
- Make sure there are no mileage limitations. If there are, make sure they are well within the mileage plans of your operation. Be aware of alteration restrictions.
- If responsible for maintenance, make sure warranties pass through to you.
- Find out when payments are due and what to do in case of an accident or damage.
- Understand the conditions under which you can get out of the lease.
- Before signing a lease, consider maintenance funds. (See Chapter 12 for savings amounts for the truck as it ages.)
- Understand how the IRS views the agreement. If the lease does not include a buy option, you cannot depreciate the vehicle, but you can write off payments as an expense.

other owner-operators may be more candid than other company representatives. See Chapter 13 for more on choosing a carrier.

FINANCING YOUR EQUIPMENT

Financing a truck can be frustrating, confusing and time-consuming, especially for first-time buyers. It also can be costly if you are not prepared. The more deliberate you are about this process, the better your position. Give yourself plenty of time to shop for a truck and for favorable financing. Visit dealers and ask questions. Know what risk you present for a potential lender.

The good news is that truck loans, like business loans from a bank, usually have much lower rates than credit cards. Loans for trucks and other secured loans, such as cars or houses, are lowest because assets are backing them up. A bank's business loan often is about 1 percent a month or 12 percent annually, though good-credit borrowers in recent years have seen rates as low at 5 percent on truck loans.

Get a copy of your credit report before you attempt to secure equipment financing. Your credit history could contain wrong or harmful information that you'll want to explain to a potential lender. Always be upfront about your problems. Showing you have overcome hard times demonstrates determination and strong character.

When you apply for a loan, be prepared to provide as much information as you can. Show the lender you are a business owner first and a truck operator second.

You'll need a budget, a cash-flow statement and a business plan.

A detailed budget will assure the lender you can meet the financial obligations of owning a truck. A cash-flow statement shows your projected revenue will be sufficient to meet current obligations. A business plan outlines the details of your operation, including the types of freight you'll haul, the traffic lanes you'll run and the rate you'll be paid. It also lists the name, address and telephone number of the company to which you plan to lease, as well as a contact name to

WARRANTIES

One of the biggest misconceptions about warranties is that they are bumper-to-bumper. Most warranties, especially on used trucks, are limited.

All the same, robust powertrain warranties, even those applied late in the life of a used engine, have saved many an operator's bacon. They're effective insurance against premature failure. Owner-operators still making payments on their truck or rebuild loans will benefit, as will operators whose income is such that they can't keep up with recommended maintenance savings. Warranty costs increase with equipment age but can decrease with a major investment, such as an engine or transmission rebuild.

With both new and used equipment warranties, take as much time as you need to understand the warranty being offered. Gain a solid understanding of claim procedures, such as who accepts and rejects claims.

WHAT ABOUT BUYING USED?

The market for used trucks, favored by owner-operators in a majority of purchases, is better than it has been in years. Thanks to a higher volume of newer used trucks becoming available, prices have dropped. Also, interest rates are in owner-operators' favor, particularly those with good credit.

While the supply of used cars is almost endless and the cars on a lot near you will be the same cars at any dealer across the country, it's not so simple for commercial trucks.

EVALUATE COMPONENTS AND FUEL EFFICIENCY. The model alone tells you very little. Because trucks can be spec'd so many ways, you need to know much more about components in a particular vehicle – the engine, transmission, rear-end ratio, horsepower and torque settings, component weights and weight limits, etc. These specs can impact your profitability, so make sure you get the right truck for the job.

With your application in mind (type of freight, regions of haul, expected weight, etc.), spec the truck from the bumper to the mudflaps. The first two priorities are always fuel mileage and low maintenance cost. The things to consider include body style, engine, transmission, rear-end ratio, tire sizes and styles, weight, accessories, auxiliary power units or other idle reduction technology, mileage, sleeper size, etc. Specs properly matched to your application also contribute to better fuel economy. Most used trucks were not spec'd for optimal fuel mileage, so dig deep to find what you need.

START YOUR SEARCH. Many online resources are available to search for used trucks. A simple Google search will get you started. List all truck models that might meet your criteria; in the beginning, you might want to try to match your criteria exactly, but if you are having trouble, lighten up a bit on the requirements. Give yourself plenty of time: 30 to 60 days is not out of the question. Be persistent.

NARROW YOUR LIST. Once you have found three to five trucks that meet your key requirements, rank them by your preferences. Run a VIN check online through services such as RigDig.com to get as much history as possible; you will find ownership history, insurance claims, accidents, mileage history and more. When you find a clear reason not to buy a certain truck, put it aside and move on.

RESEARCH IN DEPTH. Call the dealer and get as much information as possible: maintenance history, full ECM reports, pictures, even video. If a dealer says he doesn't have this information or otherwise puts you off, move on. Other dealers will work with you, and their cooperation is critical to making the right decision. Take time to research the operation in which the truck has been used, whether it's been parked for extended periods of time and what preventive maintenance has been done. If the truck came from a large fleet, chances are its maintenance records are available.

SCHEDULE INSPECTIONS. Three separate inspections are ideal, performed by shops other than the selling dealer:

- Engine inspection by an original equipment manufacturer shop (i.e., a Detroit Diesel garage for a Detroit engine), including tests for dyno, engine blow-by, oil analysis and charge air cooler, and an evaluation as to whether the engine's condition is reasonable for its mileage.
- Front-end inspection. This provides a good indication of how well the truck has been maintained.
- Finally, a bumper-to-mudflap inspection by a well-qualified mechanic. Ask the mechanic for his opinion on the truck overall, including the condition of all major systems.

If you are diligent each step of the way, you should be confident in devoting increasing amounts of time and money toward making the right choice.

verify that lease.

If you plan to run independently, you'll need to list contact information for your customers. Bring your lender a list of credit references, even if you don't have a perfect credit history. Include present and past creditors.

FINANCING SOURCES

There are multiple options for borrowing money. Check around for the lender that best suits your needs.

BANKS. Banks are reluctant to lend money for an over-the-road truck. In their opinion, "rolling collateral" is not a good risk. If you've been doing business at the same bank for a long time, however, and have an established relationship with a loan officer, it could be worth taking this route if your credit is good.

CAPTIVE LENDING INSTITUTIONS. These finance companies are owned by equipment manufacturers. They often are more willing than banks to lend money to new owner-operators because they are in the business of selling trucks.

USED TRUCK DEALERS. Your dealer may refer you to lenders other than captive finance arms.

COMMERCIAL LENDING INSTITUTIONS. These finance companies are not necessarily affiliated with truck manufacturers, but certain ones cater to the trucking industry.

GETTING THE MONEY

The cost of borrowing is generally low right now, so with good credit, you should be able to get a good loan. With an "A" credit score above 700, a borrower often can get a loan for 5 or 6 percent. A "B" credit score between 650 and 700 will be around 7 to 9 percent, and a "C" score between 600 and 650 will be around 9 percent to the low teens. A credit score much lower than 600 might make it difficult to get a loan right off.

Whatever type of financing you choose, keep in mind that truck loan interest rates can vary by two or three percentage points from lender to lender, or even more – a potential difference of thousands of dollars in interest costs over the life of a loan.

No matter where you obtain financing, the following can affect your interest rate:

- **Credit history.** People who have good credit get the lowest interest rates.
- **Stable job history.** Job-hopping indicates a lack of responsibility and rings the alarm for a lender.
- **Longtime residency.** People who live at the same address for a long time usually have a better credit rating.

Don't take the first financing option you're offered. You can negotiate loan rates just as you can haggle over the price of a truck or the rate on a load. Interest rates vary because of many factors, and finance managers have some leeway when setting a rate for you.

TWEAKING THE LOAN

Some finance companies offer creative solutions for particular situations. These options include:

Variable rates. Most truck loans have a fixed interest rate, which means that you pay the same rate throughout the term of the loan. Sometimes you can get a variable rate. This usually is a good deal if prime rates hold steady or drop, but if rates go up too much for too long, you might end up paying more than you would have under a fixed-rate loan.

More principal up front. With this option, your monthly interest charges and payments decline over time. Having lower payments in the latter part of the loan helps in two ways: It gives you more cash for truck maintenance as the truck ages, and it allows you to save for your next down payment as the time to trade approaches.

Skip-payment plan. Designed for truckers with seasonal freight, this plan allows you to miss a payment or two during slow times. You make the arrangements at the time of purchase. A variation is an extension of the first payment, say to 45 days, something many lenders are willing to do if your credit is strong.

Programs for buyers low on cash or credit. Some owner-operators without the cash for a big down payment or access to favorable loans have seen success buying in carrier sales programs for used fleet trucks. Unlike many lease-purchases in such programs, buyers do not have to be affiliated with the carrier.

A shorter loan period. This means higher payments but big savings in interest. If you're used to 72-month loans — the owner-operator's favorite — try to make a 48-month deal work.

Qualifying for a good rate. Big contributing factors to interest rates are how much you put down, the type of truck you buy, your credit score and your loan-to-truck value ratio.

For owner-operators with good credit and who have a sizable down payment, local banks can offer rates below 10 percent. Those with credit issues could see rates higher than credit card rates.

Though some owner-operators may find it difficult to get financing, lenders today are much more willing to work with used truck buyers than in recent, tougher years. The upturn in freight over the three to four years preceding 2016 brought many lenders back into the business.

While the price of trucks continued to get higher, the ability to make an economic return with that investment was there. At the same time, high-mileage trucks make lenders more hesitant, and they'll also want decent down payments, often around 20 percent.

First-time buyers could see interest rates of 18 to 20 percent, and first-time buyers and buyers with credit problems should be wary of service charges that could add $1,000 or more to monthly payments.

Many lenders are using past credit scores to "dig deeper" into buyers' credit profiles in today's market. Yearly earnings, business longevity, how long you've had a commercial driver's license, a recent home foreclosure or truck repossession, and items that show up on public records all have a bearing on your financing.

Meeting debt obligations and saving for a 25 percent down payment should open the door for a first-time buyer's financing. Those buyers also do well if they have three to four accident-free years in trucking.

LEASE-PURCHASE PLANS

Lease-purchase plans are somewhat well-used paths to truck ownership, particularly among operators with otherwise shaky credit, but *Overdrive* surveys of recent history have shown fewer than a fourth of all owner-operators purchasing trucks this way. Carrier lease-purchase programs generate the most controversy for practices that favor the company at the owner-operator's expense.

Common complaints include abnormally high weekly payments, mileage reduction toward the end of the contract, undisclosed fees and charges, and the inability to transfer the leasing arrangement to another carrier. But some carriers live up to the commonly expressed intention of developing an owner-operator base and helping contractors develop their businesses.

If you have questions after reading the contract, consider hiring a lawyer or financial adviser to review it. Make sure items such as down payment, weekly or monthly payments, maintenance escrow account, length of contract and what you'll owe at the end of the agreement are spelled out.

Work up a budget to get an idea of what truck payments you can afford and how much revenue you'll need to cover payments and other financial obligations. Given the age of the truck, estimate what it will be worth when you complete the contract.

Many carriers offer no-money-down contracts, but this often means higher periodic payments. Be alert to the amount of any balloon payment at the contract's end and how you're going to save for it.

The terminal rental adjustment clause (TRAC) lease, the basic form of the lease-purchase, is intended to allow shared responsibility between the lessee and lessor.

It gives the owner-operator the right of ownership at the lease's end while reducing cash outlays over that term. The operator can choose to pay the residual, or balloon, at the term's end or opt to take whatever equity he or she may have — if the truck is worth more than the residual amount owed — and move into a different truck, using the equity as a down payment. Secured directly with a dealer's finance department, a TRAC lease generally will be available only to those with *better* credit than is required of a traditional loan in today's world.

ESTIMATE TRUE COSTS. Calculating the total cost of a truck under a lease-purchase plan can be difficult. It's easy to hide the amount of interest in vehicle leases. Beyond knowing the monthly lease payment, make sure you know the total purchase price. The cost of interest isn't the only factor. Given the price and condition of a truck at the beginning of the lease, you should make an informed estimate of what it will be worth by the time you take ownership. Otherwise, you run the risk of having little equity to put toward your first trade. Some buyers have come to final payment only to find the truck is worth less than the amount owed.

COMPARE LEASE-PURCHASE PROGRAMS. If you haven't been with a company long, establish trust with management and learn the details of the operation. Once you understand your company's lease-purchase program, call other carriers and compare their programs.

RESEARCH YOUR COMPANY'S FINANCIAL STABILITY. Most lease-purchase programs tie you to the company until the end of the lease, so the company's health could impact your ability to complete the lease. If the company is publicly traded, its financial picture is available online and elsewhere. If it's private, don't be afraid to ask about its long-term financial prospects and debt level. Learn about its reputation within the industry.

Research the economic outlook for its primary shippers. A downturn in freight could reduce your miles and destroy the chance of completing your lease.

CHECK OUT THE TRUCK YOU INTEND TO LEASE. Ask to see maintenance records, and inquire about any major repairs.

USED AND NEW EQUIPMENT INVESTMENT: TAX IMPLICATIONS

The tax-related legislation that went into effect in late 2017 tempts businesses of all shapes and sizes to invest in equipment in exchange for expanded ability to carry losses forward and reduce taxable income. While no owner-operator purchases equipment merely for the tax write-off, know that new rules allow through 2022 the entire cost of a new- or used-truck purchase to be written off as a business expense in the year of purchase rather than the standard four-year depreciation schedule.

For example, consider a $150,000 truck purchased by an owner-operator with an annual net income of $60,000, a figure close to recent annual averages among the entire owner-operator population:

- Under the new tax rules, in the first year, $150,000 depreciated would leave a $90,000 loss to carry into the next tax year.
- In year two, the $90,000 loss carried forward would again zero out the $60,000 taxable income, leaving a $30,000 loss. In both years, no tax is paid.
- In year three, the previous year's $30,000 loss would carry forward but could leave as much as $30,000 in taxable profit, not considering other deductions.
- Finally, in year four, no depreciation losses from the truck purchase remain to be carried forward.

See Chapter 8 for more about tax options for depreciating equipment.

Make sure all recalls have been addressed and problems fixed. If warranties are offered, study the terms.

Ask how many times the truck has been leased. This not only will give you insight into the equipment itself, but also the lease-purchase program. Numerous leases on a particular truck should be a red flag.

BE PREPARED FOR THE PAYOFF. In the case of an end-of-lease balloon payment, devise a financial plan that will ensure you can make that final payment. Calculate what you will owe compared to the truck's estimated actual value at that point. You don't want to be underwater at the end of the lease – owing more than the truck is worth. Nor do you want to make payments for years and have little or no equity because you can't make that final payment.

UNDERSTAND ESCROW ACCOUNTS. A maintenance escrow (also see Chapter 12) can be helpful if you are inexperienced with a truck's upkeep and saving money, but some lease-purchase escrows give limited or no control over your use of the funds. There might be a minimum balance requirement that forces you to pay out of pocket for a repair.

Other escrow accounts can be required, such as a security escrow to cover expenses the lessee fails to pay. So make sure that you can get the escrow balances back when you complete the lease or if you change carriers.

ASK QUESTIONS. If you're thinking about a lease-purchase plan, ask the carrier:

- What happens if I want to change carriers?
- Is there a penalty for early payoff?
- Will an accurate account of payment show up in every settlement?
- Will I be able to show a profit after payments are deducted?
- How long before I own the truck?
- What percentage of lease-purchase participants in your plan eventually take ownership of their tractors?

CLEANING YOUR CREDIT

Bad credit adds tens of thousands of dollars to the price of a truck or a house by increasing the cost of borrowing money. During the late-2008 credit crunch, lending terms tightened, though they've loosened recently. However, having good credit continues to be important and pays off in much better rates than what bad-credit borrowers are forced to accept.

An owner-operator with bad credit may get turned down by the fleet to which he hoped to lease. He may get turned down by a government agency when he applies for a loan to purchase a low-cost anti-idling kit. Lucrative military or otherwise sensitive freight might never go onto his truck because the Pentagon or other shippers don't consider him a good risk.

Keep in mind that for a self-employed person such as an owner-operator, personal credit and business credit are indistinguishable. Self-employed people sometimes want to show a loss at year's end for tax purposes, but that negative net income looks bad to a lender.

When you seek financing from a truck manufacturer, your local bank or any other lender, you can try to make clear to the loan officer the distinction between your business finances and your personal finances. Credit bureaus, however, don't make that distinction; they just crunch the numbers to determine your credit rating.

Here's a breakdown for how your credit score is calculated:

• Your payment history: 35 percent.

• Outstanding debt: 30 percent.

• The length of your credit history: 15 percent.

• The types of credit you use: 10 percent.

• The new credit you request: 10 percent.

The good news is that even the worst credit situation can be improved. As little as two or three years of good payment behavior can make a positive difference in your credit score, which assigns more weight to recent acts than to older ones. In the meantime, lenders are out there for truck buyers even with C-level and D-level credit, especially in the used-truck market. And certain carriers always are looking to groom owner-operators, providing bookkeeping and business advice to help those clients succeed.

In the general lending market, those with a credit score in the low 600s probably can find a lender but likely will have to put down 20 percent or more as opposed to the traditional 10 or 15 percent. Buyers with a credit score in the 500s, on the other hand, may be out of luck outside of a lease-purchase arrangement – at least temporarily.

The Used Truck Association recommends this three-step process for climbing out of a bad-credit hole:

1 Be willing to start with a cheap used truck, coupled with a strong maintenance savings plan.

2 Bite the bullet on interest rates. You might pay 18 or 20 percent interest, but on a $20,000 truck, that means only an extra $30 to $40 a month.

3 Work on improving your credit rating and qualifying to refinance the loan at a better rate in a year or two.

There are many ways to improve your credit rating, though it takes time. The obvious ones include:

• If you're in arrears on any accounts, pay what you owe — including penalties — as fast as possible, even if it means living off Ramen noodles.

• Pay bills, including all personal bills, on time. Often this means making a business budget and a household budget and sticking to them.

• Reduce your credit card balances. The ideal is to pay off each one monthly to avoid interest, but even if you can't manage that just yet, pay them down until each balance is no more than half the card limit.

• Consolidating your credit card debt onto one card can be worthwhile, but only if you can find a card that will enable you to do that without costing you more in the long run. MyFICO.com offers a free online calculator that can show you whether such an offer really is a good deal.

• Avoid signing up for new cards. The average American makes fewer than two credit applications a year, so if you do even three in a given year, you're hurting your credit score. Your ideal ratio should be one credit card for each installment loan, up to five cards. That means your truck loan "earns" you one credit card, your mortgage a second credit card and so on.

• On the other hand, if you have an old credit card that you barely use anymore, don't be too quick to close it out. Its mere existence provides a boost to your credit score, 15 percent of which depends on the length of your credit history – or, in other words, how long you've been someone's good customer.

• Don't co-sign a loan, even if you're trying to help out a close friend or relative. In many states, if the primary borrower misses payments, the creditors can turn to the co-signer for satisfaction. You could lose your truck – even your house.

• Use what you save. Once you're current on your truck and mortgage payments and have paid off your credit card debt, you'll have extra money each month that's no longer being spent on interest and penalties. Put this "found money" into your emergency fund or your retirement savings, or invest it.

CHOOSING A TRAILER

SPEC'ING SMARTLY CAN INCREASE YOUR PROFITS

Is a trailer worth the investment? For many owner-operators, yes. It can take less than four years to earn back that investment, even when buying new equipment.

According to *Overdrive* research, most independent owner-operators already own their own trailers, as do about half of leased owner-operators. While some leased operators don't have the pressing need to provide a trailer that most independents do, they often find trailer ownership has significantly added earning potential. Leased owner-operators who own their own trailer gross about 6 percent more, or $10,000 annually, than those who don't. They keep more than half that.

Some independents own more than one trailer so they can haul van freight one day and flatbed freight the next, and this is not out of the question for leased owner-operators. One big advantage of trailer ownership for many owner-operators is the peace of mind in knowing who's in charge of maintaining trailer tires, brakes and other equipment. On the other hand, that maintenance is a chore — and an expense — that bobtail-only owners don't have.

Many fleets pay more to drivers with their own trailers, but it can be tricky to determine if that premium is worth the added costs of ownership. New dry vans cost about $30,000, and maintenance costs, primarily for tires and brakes, often average at least $1,500 a year.

To assess the value of bringing your own trailer into a lease arrangement, add the expected revenue with a trailer, and subtract the estimated associated costs. Then compare that number to the expected revenue without a trailer.

Even if that spread seems promising, consider how using your own trailer will affect your freight arrangements.

As long as a leased owner-operator can stay busy without incurring too many out-of-route miles, the investment in a trailer could be worth it.

An owner-operator who owns a trailer also has more responsibility for staying loaded, as company drop-and-hook operations are mostly off-limits, and there has been an increase in drop-and-hook freight in recent years.

SMART TRAILER SPEC'ING

Factors such as maintenance expenses, longevity and handling ease play vital roles in

LEASED OPERATOR TRAILER OWNERSHIP

PROS

- Increased revenue
- Confidence in condition of equipment
- Depreciation savings in first three ownership years
- Opportunity to customize operation to fit your needs

CONS

- Increased maintenance costs
- Increased administrative costs (insurance, plates, etc.)
- More responsibility for staying loaded
- Possible reduction in total loaded miles due to less drop-and-hook

getting what you want in a trailer. You won't realize low cost per mile if your trailer breaks down, is expensive to maintain or can't handle your loads well. Knowing definitively what you intend to transport, where you plan to work and how long you intend to keep the equipment will help you balance price with projected maintenance costs. Smart choices will keep your operating costs low and your resale value high.

KNOW YOUR APPLICATION. At spec'ing's core is understanding your application. Hauling heavy-footprint products such as paper rolls requires higher floor ratings. Applications with additional equipment such as automotive racks require interior designs that protect the trailer from damage during loading and unloading.

Loading cycles can vary greatly – from weekly to multiple daily loads. The greater the frequency, the faster the equipment wears.

Consider your trailer's versatility, spec'ing the size, model, style and axle and suspension configuration so you can run the trailer in several states, as well as in Canada. If you intend to haul in California, be aware of laws that involve trailers. California is the only state that has an axle spacing law that requires a distance from the kingpin to the rear axle be 40 feet or less. In other states, 43 feet is typical. Spec'ing a sliding axle will give your trailer the versatility to meet standards in California and other states.

MINIMIZE MAINTENANCE. Spec premium quality for components such as long-life brake linings, wide brakes, long-life wheel ends and seals. Controlling corrosion also will reduce maintenance worries. You're reducing cost per mile and maintenance costs by spec'ing special coatings that protect trailer parts. Some trailer manufacturers offer galvanizing to protect door frames, hinges and the entire subframe.

Spec'ing any system that eliminates wearable parts will minimize maintenance.

Hendrickson's Intraax suspension integrates the axle into the beam with no wearable parts on the axle connections. In reefers, a glass-reinforced thermoplastic liner can reduce maintenance expense and help the trailer maintain excess cooling capacity, reducing operating costs. Similar premium products could include a puncture guard liner to protect the trailer interior against punctures, thermoplastic coating to apply to suspensions and landing gear, and a steel liner with a rigid backing instead of a plywood liner.

REDUCE WEIGHT. Weight reduction helps operators who typically "load out" at 80,000 pounds because it means additional payload capacity. It also helps those who usually "cube out" because for every 300 pounds you eliminate, you gain 0.2 percent in fuel efficiency, experts say.

The biggest weight saver is spec'ing aluminum, which also is more corrosion-resistant than steel. You can spec aluminum side posts and roof bows in dry vans. Aluminum can be substituted for steel in crossmembers that support the floor and for hardwood flooring. Aluminum rims can replace steel disc wheels.

SPEC FOR FUEL SAVINGS. The same physics that apply to tractor fuel economy improvements can be applied to the trailer. The more aerodynamic the tractor, the more critical it is for the trailer to play a complementary role in streamlining airflow. Studies have shown that the fuel-economy difference between a typical fleet van and a more aerodynamic trailer is 1 mile per gallon or more.

An owner-operator could add $10,000 or more to his bottom line in one year by using a trailer with strong aerodynamic features. That means the trailer would pay for itself long before it wears out.

MAINTAINING YOUR EQUIPMENT

ROUTINE PM WILL SAVE MONEY OVER TIME AND HELP DETERMINE WHEN TO TRADE

Preventive maintenance can be expensive, but neglect is even more costly. Systematic PM saves you money in the long run by reducing the chances of equipment failure on the road and reducing time lost to repairs. It also helps reduce the severity of failures if they do occur. Some industry estimates say preventive maintenance can cut breakdown costs in half, and a properly maintained engine will last much longer and also use less fuel.

Nearly all owner-operators change their oil often or use oil analysis to determine precisely when to change if at more distant intervals. Also important is using quality oil and filters, as well as timely coolant servicing (including system flushing), because these practices will help make an engine last longer. Using synthetic transmission and axle lubes and changing at required intervals also will help the life of those components.

Don't neglect other less-familiar practices. Adjusting the overheads after break-in and then at the required infrequent intervals saves fuel, reduces oil sooting and wear, and is likely to prolong the life of both valves and injectors. Replacing injectors before combustion gets too dirty also will prolong life. Using quality fuel filters will, in turn, prolong injector life. Various long-life antifreeze options, such as extended life coolants and coolant filters that add supplemental coolant additives on a controlled basis, should be considered even though the initial cost may be higher.

A simple maintenance plan that doesn't require technical skill and special equipment will include tires, engine oil, wipers, lights, filters, coolant and

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belts/hoses. A more technical PM will include brakes, drive axles, wheel seals, transmission, batteries, exhaust, driveline, suspension, steering, clutch and engine.

SAVING FOR MAINTENANCE

Every good PM schedule begins with establishing a maintenance escrow savings account. An industry standard for maintenance escrow savings is based on a time-proven formula:

MAINTENANCE ESCROW SAVINGS SCHEDULE

Age of Truck	Maintenance Savings
New	5 cents/mile
1 Year or 150,000 miles	6 cents/mile
2 Years or 300,000 miles	7 cents/mile
3 Years or 450,000 miles	8 cents/mile
4 Years or 600,000 miles	10 cents/mile
5 Years & older or 750,000+ miles	15 cents/mile

AN OUNCE OF PREVENTION

Become familiar with every inch of your truck, and know which components can fail and under what circumstances. You don't have to be a mechanic, but you should be familiar with a truck's mechanical operation and how systems interact. Manufacturers recommend a standard PM schedule for every model. The Technology & Maintenance Council of the American Trucking Associations also provides PM guidelines for tractors and trailers. Follow these schedules diligently, and you'll head off a lot of trouble.

Daily pre-trip inspections, required by the U.S. Department of Transportation, can help identify problems before they become emergency situations. A leaking differential should be repaired before the lubricant loss causes component failure. Early warning signs found by engine or driveline component oil analysis can alert you to serious problems before costly troubles occur. If you have a truck with more than 300,000 miles, consider running a dynamometer test once a year.

Always look for common problems such as seal leaks, loose bolts, chafed wires and hoses, improper adjustments and worn, broken or missing parts. If you cannot recognize these problems, have a qualified technician inspect your rig every six months or even more frequently. An alternative is having lubrication service done at a dealer or truck stop where experienced technicians will look for problems as they work.

The same can be said for maintaining a trailer. For a dry van, check the suspension during pre- and post-trip inspections, perform a pre-load adjustment and annual inspection on the bearings, check the brake lines regularly, and check tire inflation and wear regularly. Also replace the work scuff liner to protect the trailer walls, check the roof during pre- and post-trip inspections for holes and leaks, inspect the threshold plate often, and inspect the floor to spot weak spots or small holes.

BEGIN AT THE DEALER

The best time to start a regular PM program is when you're buying your truck. If the dealer doesn't volunteer detailed information on maintenance, ask for it. A good dealer is happy to give advice about oil changes, lube and filter replacement, and other maintenance. Take advantage of your leverage before you buy to get all the information you can. Manufacturers' websites often offer detailed information.

Separate warranties often are written on the engine, transmission and other components because they are supplied by different entities. Find out the duration of the warranties and what it will take to maintain their validity. You might want to consider extended warranties when available.

Choose a dealer carefully. Make sure its service department has the technicians and equipment to handle major repairs and that they have a helpful attitude. Talk to the parts and service managers, and form a relationship. From there, take the same relationship-building approach to local tire and engine shops, an alignment shop and an air-conditioning shop. Dealing with pros who specialize in one maintenance item is

TIPS FOR BRAKE MAINTENANCE

It's no surprise that violations for brakes are among the most cited, given their constant wear and critical safety role. While that's enough reason to keep them in shape, another big factor is cost.

The cost of a brake-related mobile service repair easily can exceed $1,000, and that's without a tow.

Pre- and post-trip inspections are critical for identifying issues before violations occur. Obvious red flags include rust streaks, air leaks, oil stains, air lines rubbing on crossmembers or frame rails, bad or missing gladhand seals and brake components that are worn, missing, broken or loose.

Look at components such as air chambers that may be corroded or rusted. Also check the air system for contamination or water, slack adjuster, brackets and air lines that may be hanging low.

Also listen for leaks by building pressure in the air system while keeping the parking brakes applied, then walking around the truck listening for leaks. When doing this, look at your air gauges to make sure the compressor is building correctly, and make sure none of the warning lamps are illuminated on your dash.

Finally, inspect the pad thickness visually, measure caliper position with a ruler, and inspect rotors for cracks every four to six months.

Catching any of these issues during your inspections can eliminate accelerated wear, brake damage and damage to other components.

key to holding costs down in the long term. Take time to let the service manager or even the owner of the shop know your goals and plans. Ask their advice about maintenance scheduling.

Do things such as occasionally taking pizza to the mechanics, which can go a long way toward building a relationship with the people who maintain your truck. Also compliment the work once in a while instead of complaining that everything is too expensive. Another way to build relationships is through referrals; if you're happy with a shop's work, spread the word to others.

KEEP GOOD RECORDS

Only with complete and accurate records can you track the work done on your truck and prove that required work has been done. Committing every shop visit to paper and creating a calendar of scheduled visits will pay off. You also should keep a schedule of future work to be done. This schedule will help you avoid overlooking something vital.

Devise your own maintenance service report, and use it to keep a record of every dollar you spend on your truck. Keep receipts on repairs. Keep old parts in case of a warranty dispute. When you use the truck service report, note all warrantable purchases and repairs, and include a record of your out-of-pocket expenses such as cab fares, meals and motel stays related to time lost due to repairs. Otherwise, you won't be able to file warranty claims properly, and your profits will suffer.

Good maintenance records can help you determine average miles per gallon, expenses on a per-mile basis and other key benchmarks helpful in cutting costs. They also can help you spec your next truck.

TIME TO TRADE

Maintenance costs typically rise in the third and fourth ownership years. Fifth-year costs often drop because the truck needs certain work in its fourth year that isn't required the next. However, the cumulative cost of maintenance — your average cost per year since you took ownership — and your cost per mile still increase each year.

No matter how rigorous your PM efforts, the time will come when you'll spend more on maintenance than you would for a new truck. How will you know when that time comes? Your maintenance records will tell you.

Create a maintenance budget, and track your maintenance expenses. When they rise to a point that seems excessive, check with your business services provider, who can help you determine how much your fuel, oil and maintenance costs have increased due to the truck's age.

Your insurance agent can help determine how an equipment upgrade will affect your premiums. Your financing source can discuss various options for the purchase of a new truck, and your accountant can

EXTENDING OIL LIFE

Oil might cost more than you realize, especially if you're not getting maximum use of it. Do a typical change yourself, and it still costs about $250 or more for the oil alone. But assume you extend your change interval from 15,000 miles to, say, 25,000 miles. That extension over the million miles of an engine's expected lifetime would save a lot. Allowing a modest amount for disposal costs and nothing for downtime or labor, the total savings from adding 10,000 miles to change intervals over 1 million miles would amount to almost $8,000.

Oil life is quite flexible. A competent operator can extend that life significantly by paying attention to maintenance and altering his operational behavior. Minimizing idling time alone will extend the life of oil significantly because idling puts more undesirable stuff in the oil than even hard driving. Responsible refiners are willing to stand behind their products even when extending changes. Operating and maintaining your vehicle or vehicles according to the experts could allow you to extend changes without fear of problems.

THREE KEYS TO EXTENDED DRAINS

- *Use good filtration practices.* Proper filtration extends the life of oil. Use a filter that will meet all the engine manufacturer's specifications, and always change it at the recommended interval. Involve the filter supplier in considerations of extended drains. You might need better capacity for dirt or better internal construction.
- *Choose the right oil grade.* All premium oil refiners offer diesel oils that are extended drain-capable. Lubes with a lower initial viscosity grade number are better for cold starting under harsh conditions. This allows many operators to curtail idling, which helps extend change intervals. New oils that hit the market in late 2016 are classified as CK-4 for pre-2017 engines and FA-4 for 2017 or newer engines.
- *Get routine oil analysis by a qualified laboratory.* At the point of a potential oil change, the oil is either clean enough to keep using it or dirty, already causing damage. Oil analysis is a critical requirement to supplement proper maintenance. New engines exhibit levels of contaminants that remain from initial construction of the radiator, oil cooler and exhaust gas recirculation cooler. Knowing not only the miles on the oil, but also the total hours the engine has run, is critical to knowing whether a contaminant is coming from outside and likely to cause damage.

If you buy oil from an oil supplier and consistently use the same brand, it's possible the oil refiner will offer free oil analysis. If not, ask your supplier or engine dealer for information on a reputable lab. A good analysis report will cost $30 to $50. Analysis should be performed at every drain if using extended intervals. The lab will test for wear metals. This tells if components are wearing out and which component it might be. Lead and copper together indicate bearing wear, while iron and chromium together could mean cylinder and ring wear. Are necessary additives present in the correct quantities? The test will tell, as well as if contaminants such as fuel dilution, soot, water or coolant are present in dangerous quantities. Finally, the test will show the oil's physical properties, such as viscosity, total base number (TBN), oxidation and nitration.

Good information also allows you to correct budding problems before they cause damage. An oil analysis report indicating fuel dilution can be a sign of a failing injector; if that goes unrepaired, it will cause excessive wear metals and bearing failure. Coolant intrusion is another problem that can go unnoticed but is detected easily with oil analysis. Coolant in the oil will strip out the zinc and cause high wear metals and ultimately premature engine failure. When you see high soot levels, check the charge air cooler and for exhaust restriction and low operating temperatures.

When switching from the previous CJ-4 oil to the new CK-4 or FA-4 oil, there could be changes in typical oil analysis properties, such as levels of calcium, magnesium, zinc and phosphorus. There also might be a change in the typical viscosity, but none of that should cause problems.

explain potential depreciation benefits that would accompany a new purchase.

Industry experts say you should consider replacement when your fuel mileage drops 2 mpg or more in spite of conservation efforts, or if truck technology develops to the point that a new truck would get an additional 2 mpg. Another indication to trade is when your total maintenance costs reach 15 percent of your gross revenue.

As a rule of thumb, consider a new purchase when the principal, interest, maintenance and operating costs of an old vehicle are higher than the comparable costs attached to a new vehicle. The estimated resale value of the old vehicle, coupled with any manufacturer's incentive on a new vehicle, may offset the higher cost of a new vehicle's principal and interest. At this point, a trade makes sense.

WAYS TO SAVE MONEY ON MAINTENANCE

When asked why they've done a poor job of preventive maintenance, too many owner-operators say they were trying to save money. But there are many ways to save money on maintenance without skimping and courting disaster.

STAY ON SCHEDULE. Plan your maintenance schedule as thoroughly as you plan this week's haul, and stick to it.

SHOP AROUND. Few owner-operators cite price as their primary factor in deciding where to buy their oil. They give more weight to convenience, but sometimes the cost of convenience can be high. Try to do a few price comparisons online or over the phone – especially if you haven't done so in years. Also look into the benefits of buying as part of a group or via a fleet, a membership organization or a truck stop or warehouse chain.

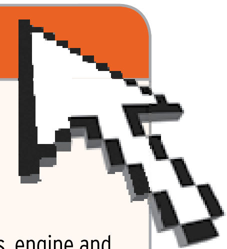
PLAN FOR EMERGENCIES. A front tire with a nail in it, multiple lights out because of a short circuit, or a suddenly failed brake lining might put even the most maintenance-savvy owner-operator out of commission – or out of service, if a DOT inspector finds the problem first. The industry's top truck, engine, tire and certain other manufacturers have created 24/7 help centers accessible via a toll-free number or proprietary smartphone application. These centers can put you in touch quickly with the nearest service outlet for emergency assistance.

Independent breakdown services offer similar assistance. Two widely used services are the FleetNet America (www.fleetnetamerica.com) and National Truck Protection (www.ntpwarranty.com) service networks. The *National Truck & Trailer Services Breakdown Directory* (www.nttsbreakdown.com) is available to search for services in particular areas.

CATCH OVERLOOKED ITEMS EARLY. Timely fixes to these problems can reduce thousands of dollars a year in operational costs by helping avoid breakdowns and providing better service to your customers.

• **CHARGE AIR COOLER.** The CAC sits in front of the radiator and looks like a radiator. It is designed to cool superheated

DIY MAINTENANCE RESOURCES



Draw on the wealth of maintenance coverage featured in *Overdrive* via the magazine's website. A list of how-to articles as well as other stories, with links to the archived stories, is available via overdriveonline.com; search "Staying ahead of the inspectors." Areas covered include tires and brakes, lights and electrical systems, engine and drivetrain, trailers and others.

TIPS FOR KEEPING THE LIGHTS AND REFLECTORS SHINING BRIGHT

Flickering or dim lights are usually pre-failure symptoms that can be caused by improper bulbs, damaged wiring or corroded sockets. A dim or flickering LED light is even more likely than an incandescent to indicate a problem beyond the light itself - most often corrosion.

Corrosion prevention starts by sealing connections properly when the light is installed. Grease also can further prevent the damage of corrosion. It also helps to remove any wire probes or picks used by technicians to penetrate the wire to measure voltage or continuity.

Looking at incandescent lighting vs. LEDs, LEDs cost more but offer significant advantages. A red incandescent lamp has a rated life of 5,000 hours, while a red LED lamp has a rated life of 100,000 hours. LED technology also is resistant to mechanical damage, shock and vibration.

To prevent violations related to lighting, don't overlook reflectors and conspicuity tape. These are required on most trailers to be equipped on the sides and rear with a means of making them more visible.

Drivers can receive violations for having defective reflectors and conspicuity tape and should make sure reflectors are free of cracks and dirt. Conspicuity tape also can degrade over time to the point where it no longer is reflective, making that driver a sitting duck for a lighting violation or, worse, an accident.

SPEAKING 'DPF'

You're chasing sun on Interstate 40 out past El Paso, Texas, maybe a little Willie and Waylon on the stereo while you gaze idly at the landscape. You're wondering how long it will take to reach a peak on the horizon when a little yellow light on the dash winks on, spoiling the serenity: Your diesel particulate filter needs attention.

Since 2007, heavy-duty diesel engines have had DPFs installed to meet increasingly stringent particulate-matter-emissions regulations from the U.S. Environmental Protection Agency. In most situations, the warning lights on operators' dashes don't mean the truck is in any real trouble. Neither is the engine. That light is just telling you a normal function in the life of a post-2006 diesel engine has to take place. Even better news is that it probably will require very little of you.

Still, as with any truck component, failures can happen. If you understand DPF maintenance cycles, you'll have a better idea of when you need to get help and when you can get back to watching the scenery.

WHAT A DPF DOES. Any truck manufactured after Jan. 1, 2007, has a DPF. There's actually a lot of heavier-than-air stuff in diesel smoke. EPA calls it "diesel particulate," better known as soot. These are ultra-fine particles of elemental carbon with adsorbed compounds such as sulfate, nitrate, metals and organic compounds. A DPF is engineered to trap such particles.

A DPF is not a spin-on-type filter like an oil filter or a cartridge-type filter like a fuel filter. The ceramic filter itself, a little smaller than a loaf of bread, sits in a metal canister that also acts as a collection device for soot.

WHEN TO CLEAN. Much like a clogged catalytic converter on your car, a plugged DPF interferes with efficient exhaust flow. It can lead to compression or combustion problems if left untreated. In most cases, the DPF burns off accumulated soot through either a "passive" or "active" regeneration.

Passive regeneration occurs between 50-60 percent and above engine load, when exhaust gas temperatures can rise to 570 degrees and above.

Under active regeneration, triggered by a series of steps taken by the operator while the vehicle is stationary, the fuel doser ahead of the DOC in the system is engaged to bring temperatures up to 1,100-1,200 degrees to burn off soot.

Either event is likely the reason that yellow dash light came on. If the DPF warning light is blinking, this is what is happening. If the light comes on and stays on, it's time to get the DPF cleaned.

While the regeneration process burns off accumulated soot, it does not clean out the actual filter media that traps the particulates. And because the regeneration process will not burn off all the ash, eventually it will collect in the canister and fill it up. Work with a service facility to get an idea of where your DPF is in its cleaning cycle. At 130,000 miles, flow-test the filter, then again at the next service interval and the next one after that if it's still OK.

Driving style, application and more play into how often a DPF needs to be cleaned. Vocational, urban and stop-and-go applications have much shorter intervals than long and heavy. Idling also can shorten the interval.

There are two types of DPF ash cleanings. One is changing out the DPF, usually because it is chipped, cracked, burned or melted, which takes about 2.5 hours. A full cleaning takes around four to five hours.

Cleaning is not cheap: A machine to clean a DPF costs about $20,000, which helps explain why getting the unit cleaned can run you approximately $500. Replacing the DPF costs around $2,000.

If your engine is a 2010 or later emissions spec and you're using diesel exhaust fluid for the selective catalytic reduction system to separate nitrogen and oxygen in NOx emissions, beware long periods of downtime (a month or more) in extreme weather and/or DEF stored for long periods without climate control.

DEF is about two-thirds water, so if it sits for long periods in extreme heat or cold, it can lose some of its water content. A loss of just 1 percent of that content can get active fault codes for low-quality DEF, eventually causing your engine's ECM to derate the engine by degrees. If you run out of DEF, it will derate you to 5 mph.

air from the turbo before it gets into the intake manifold for more efficient combustion.

Seeing a water leak from a radiator is easy, but your CAC needs to be pressure-tested to find leaks. You can make or purchase a test kit, or have it done at any engine shop. Engine manufacturers differ as to how much CAC pressure loss is acceptable, usually 5 to 7 pounds in 15 seconds. But given the immediate drop in fuel mileage a leaky CAC causes, it makes sense to replace a unit that leaks just 2 pounds in 15 seconds. At that level, at 2,500 weekly miles at 6 mpg and $3.50 per gallon for diesel, you'd be losing $112 a week.

• **CRANKSHAFT DAMPER.** Most engine shops will tell you this doesn't need to be replaced. They don't even replace it on an in-frame. This is a mistake. The crankshaft damper, designed to reduce torsional twisting from the force of the connecting rods being driven down by combustion, wears out. Consequently, engine force and vibration are not transmitted throughout the entire frame and driveline. This leads to many problems, not the least of which is driver fatigue.

Maintenance problems run the range of broken alternator brackets, broken air-conditioning brackets, clutch and driveline problems and even loose or faulty electrical connections. There is no way to inspect a crankshaft damper: Replacing it at 500,000 miles is recommended to avoid problems. It will cost $700 to $1,000, more in some engines.

• **FLEXIBLE RUBBER FUEL LINES.** These can deteriorate internally with no visible wear or damage. Internal deterioration can cause lines to swell and restrict fuel flow, triggering fuel-mileage declines and power loss.

Trucks with fuel mileage issues can benefit from line replacement ($300 to $400) to the tune of 0.3 to 0.4 mpg. If your truck has more than 700,000 miles and an unexplained loss in mpg, it would be recommended.

• **FACTORY MUFFLERS.** These can cause exhaust restrictions from day one. The longer they're used, the more soot buildup you see in the muffler itself, and the more exhaust restriction is created.

Restriction robs your engine of performance, power and mpg. You can install a high-performance flow-through muffler on most trucks for less than $200, and your return on investment is nearly immediate. You'll also notice better throttle response.

• **SHOCK ABSORBERS.** When shocks are worn, it can lead to excessive vibration, irregular tire wear and driver fatigue. Many experts recommend replacing shocks every time you replace tires.

BUY OIL IN BULK. The do-it-yourself oil change is a standard for many owner-operators, especially those with their own authority. A one-truck operator can save $200 or more a year by moving from gallon jugs to 55-gallon drums for oil purchases, assuming 125,000 miles per year with an oil change every 25,000 miles. A 10-truck fleet can save almost $3,000 a year by changing from gallon jugs to bulk delivery in a tank. A first step in determining whether buying bulk oil makes sense for you is to contact a local distributor and explore pricing.

Disposal is normally an associated cost, but if you live near an oil-recycling refinery, you might be able to sell your waste oil. Some small fleet shops use waste oil to heat their facilities.

TIPS ON DOING IT YOURSELF

While your free time is valuable, every maintenance job

23 TOOLS TO TAKE ON THE ROAD

1. A set of eight hand wrenches and sockets.
2. Two standard adjustable crescent wrenches, one 6 inches and one 10 or 12 inches.
3. A fuel-filter wrench.
4. Two vise grips, one 6 inches and one 8 inches.
5. A hacksaw with spare blades.
6. A carpenter's hammer.
7. A ball-peen hammer.
8. A 30-inch crowbar or pry bar.
9. A set of flathead, Phillips and star-tip screwdrivers in various sizes.
10. Rolls of duct tape and electrical tape.
11. A can of WD-40 or some other spray lubricant. Don't lose the straw.
12. A knife.
13. Wire and metal snips.
14. An electrical current tester.
15. C-clamps.
16. An air-pressure gauge.
17. An awl.
18. Pliers of various sizes.
19. Flashlights of various sizes, including one for your pocket, one for flagging help and a large free-standing lamp for night repairs.
20. Jumper cables, at least 20 feet long.
21. Towing chains, 20 feet of 20,000-pound strength.
22. A torque wrench.
23. A handheld remote diagnostics unit that communicates with the truck's onboard computer, or in the case of newer-model trucks, mobile-device/laptop software capable of interpreting ECM fault codes for maintenance troubleshooting.

you can do yourself is a job you don't have to pay someone else to do. Common do-it-yourself jobs include fluid and filter changes, as well as routine work on relatively simple components such as wipers, lights, belts and hoses.

The basic rules always apply:

• Get expert advice for any new project, and be sure you aren't violating warranties.

• If you're not comfortable doing any job, take it to the shop.

Here are some cost breakdowns for a few common jobs:

GREASING. Greasing is simple and inexpensive. You can purchase a high-quality lever-action grease gun, grease and wipes for less than $50. Your cost for each job: About $10.

Shop cost: $35 to $50. Time: 45 minutes.

CHANGING FUEL FILTERS. This doesn't require many tools, but learning the proper technique is important, so consult your owner's manual. You'll need a band clamp of appropriate diameter for fuel filters, a catch pan and a small container of fuel. Your cost: $20 per job. Shop cost: $25 to $30. Time: 30 minutes.

CLEANING CONNECTIONS AND CABLES. Special battery terminal cleaners are inexpensive, and other connections can be cleaned with sandpaper or steel wool. Your cost: $10 per job. Shop cost: $80 to $100. Time: One hour.

INSPECTING COOLING SYSTEM. To check your system, buy test strips and measure antifreeze concentration and the level of anticorrosion additives. Your cost: About 20 cents per test for one test strip. Shop cost: $20. Time: 15 min.

DEALING WITH DEALER SERVICE

Many longtime owner-operators have had at least a minor conflict with a dealer over a repair. Whatever the problem, never underestimate the need for effective communication. As long as you're talking to someone, a compromise is possible.

BASIC STEPS

• Don't just show up and demand instant service. You're hardly the only one with a "hot load." Making an appointment is ideal.

• Make accessible your complete service and warranty records, and never tell the dealer what to fix. Instead, explain all you know about the problem, and if possible, take a service person on a test run to recreate conditions.

• If diagnosis is a problem, ask dealer personnel to discuss the issue with factory service people. If local technicians are too busy, call the factory representatives and ask them to assist the dealer or allow you to relay relevant information.

• When a problem is not identified readily, authorize an hour or two of labor for diagnosis. It's cheaper than experimenting with repairs and more likely to yield results.

• If speaking to a service representative is a dead end, appeal to the service manager, dealer managers and ultimately the owner. Failing that, a factory representative might be able to influence the outcome. Understand that the manufacturer cannot force the dealer to do anything.

• Even if all else fails, suing can be expensive and is not likely to succeed unless the dealer clearly is violating the terms of a warranty, disobeying an applicable law or acting in bad faith.

GENERAL TIPS

• Work through the selling dealer, who has a greater motivation than other dealers to do warranty work or go to bat for you with the factory.

• Keep your cool, and demonstrate a positive attitude. No one wants to cooperate when they're treated rudely.

• Having a good long-term relationship with dealer personnel will help. Your best leverage is the ability to take your steady business elsewhere.

POTENTIAL FOR LOSS

Suppose your truck's engine blows while you're under a load. Your carrier likely will have to dispatch another driver to deliver the load. Meanwhile, you'll have to pay for the tow and find a replacement engine. If you lose a week's worth of work at, say, $1.10 per mile, you've also lost $2,750 in revenue. The lack of attention to your engine could end up costing more than $20,000:

Rebuilt engine:	$18,000
Road service:	$650
Lost revenue (current load):	$1,100
Lost revenue (future loads):	$2,750
Total loss:	**$22,500**

CHOOSING A CARRIER

IT'S EXPENSIVE TO SWITCH CARRIERS, SO PICK YOUR PARTNER CAREFULLY IF RUNNING LEASED

The increased revenue that can come from changing carriers is easy to understand, but the cost involved in making that switch often is overlooked. It can be thousands of dollars. And when you look closer at revenue and costs instead of just pay per mile, net income often isn't any better at a different carrier. Choosing a carrier should be approached systematically. First search for carriers that pull the kind of freight and run in the geographic area that interests you. List as many potential carriers as possible.

Most people will try to find one name that fits all the preferred criteria. Take the opposite approach. Pick a name on the list and start looking for a reason *not* to choose that one. Maybe the company requires more experience than you have or requires a newer tractor.

When you find a carrier you can't eliminate, put it on your short list. When you reach five, follow these steps:

- **CONTACT THE CARRIERS DIRECTLY.** Request a copy of their lease agreement. Read each lease from front to back and make notes. Lists things you like and don't like about the lease and things you don't understand. If they can't or won't send a lease agreement, scratch them off the list.
- **CALL EACH CARRIER AGAIN.** You need to make sure you understand everything and how cooperative the carrier is. If you can't get straight answers about the lease now, odds are you'll have the same obstacles if you decide to work with that carrier. In most cases, these conversations will get your list down to two or three.
- **SCHEDULE A VISIT TO EACH COMPANY.** If there are multiple locations, visit corporate headquarters. It might be expensive and time-consuming, but you are trying to eliminate needless risks as you design your business.
- **REQUEST A VISIT** with someone in each department

Overdrive's PARTNERS IN BUSINESS

you would deal with as a leased owner-operator. If they don't have time for you now, do you think they will have time for you after you sign the lease?

• **PRIOR TO YOUR VISIT, WRITE DOWN QUESTIONS** for each department, such as dispatch, safety and compliance, operations and settlement.

These steps will prepare you well for getting the critical information you need. Once you've done so, the business-minded approach you've demonstrated will help establish you as a professional who deserves respect.

QUESTIONS TO ASK OF PROSPECTIVE CARRIERS

PAY. Ask if fuel surcharges are available and if they are packaged with base pay or paid separately. Check whether the fuel surcharge is nationwide or regional and what miles-per-gallon rate the surcharge is based on – 6 mpg is common (see Chapter 5). Confirm that 100 percent of the surcharge is passed to owner-operators.

Ask if the carrier offers layover pay, empty mile compensation and pay for loading and unloading, or reimbursement for lumper charges. Do they reimburse for tolls? Do they pay your fuel taxes, or are they charged back to you? When are settlements paid?

Does the carrier impose chargebacks? Ask about paying for liability insurance or onboard fleet management systems such as electronic logging devices or tracking systems.

Hourly pay for time spent waiting at shipper and receiver locations (detention) is increasingly important — and prevalent — as carriers have been required to switch to ELDs. Does the carrier offer pay for detention? Does it guarantee

OTHER QUESTIONS

Ask recruiters and owner-operators these questions about any carrier:

When would I get my sign-on bonus? Some carriers pay it when you deliver your first load, others after 90 days, others after six months or even later.

What are your strongest lanes? You need to know where the freight is and where it goes.

Do you pay lumper fees? Some carriers provide a set amount to pay lumpers, which sometimes might not be enough. Find out what's covered and what your obligations are in all loading and unloading situations.

What fees must I pay? Learn about base plates, insurance, equipment, deadhead pay and drug-test fees.

Will there be multiple-stop loads? If there are, will you be paid for each stop or a flat fee?

Do you have dedicated runs? Companies with dedicated freight, offering added schedule predictability, may require you to qualify for those runs based on where you live or other factors. Learn how it works.

Do you have an owner-operator advisory board? Carriers with such boards demonstrate an interest in relations with owner-operators.

What is your owner-operator turnover rate? Turnover at larger carriers is nearly always high, but anything near 100 percent is cause for concern.

Do you have a purchase program for tires, parts and other items? Discounts offered by fleets, such as those set up with truck stop chains, can save you money.

What is your policy on cash advances, money services and fuel cards? You should avoid asking for advances, but it's good to know a company's policy, as well as arrangements regarding money services like Comchek and fuel cards.

How do your escrow accounts work? By law, the lease clearly must define all fees and reimbursements carriers can take from owner-operator escrows. How much of that would you get back if you left, and how long would it take?

What is your policy on major breakdowns? Find out if the carrier will stand behind you in such an emergency. Ask the terms of repayment.

What are your rider and pet policies? If you like to take along your spouse, significant other, child and Fido, then don't forget to ask.

KNOW THE LAW ON LEASES

Whatever's in a lease contract must agree with federal law. Not sure what the law says? Go to www.fmcsa.dot.gov and type 376.12 into the search box. That will give you the truth-in-leasing regulations, which specify what a written lease must contain, including complete specification of compensation, responsibilities of each party for costs, chargeback items and how they are computed and more.

THE COST OF CHANGING CARRIERS

You can't leave one carrier and expect to be up and running at the new carrier the next day. It can take three weeks between winding things down at your old carrier and getting up to speed at the new carrier. It takes time to turn in the trailer, company-provided electronic logging device or other dispatching equipment, base plate, permit book, etc.

You then have to bobtail to the new carrier and attend orientation. Then you have to get all your paperwork filled out and wait to get a load. It can take longer than three weeks before a settlement check is received.

That's three weeks of lost revenue. True, you avoid the variable costs, such as fuel, that would have gone with earning that revenue, but it's a net loss to you. Your fixed costs don't stop. Your truck payment and your insurance payments still are due. And you still have your personal bills. If the transition drags out, costs could total as much as $12,000 or more.

This loss doesn't include the cost of learning a new system and new routes at the new carrier, likewise building a working relationship with dispatch to prove your credibility. And remember, what recruiters tell you might be a best-case scenario, and it may be some time before you'll be in that situation. Before switching, ask yourself some hard questions. Have you done all you could at your current carrier? Unless you're an obvious problem, your carrier wants to keep you. If you're thinking of leaving in anger, as often is the case, cool off first. Could you analyze your own costs and manage your business better to succeed where you are? How will a switch affect your reputation? No matter how good a driver you are, job-hopping paints you as a malcontent.

TOTAL COSTS

The many costs involved in changing carriers can total thousands of dollars:

DOWNTIME. You've been earning $50,000 a year and working 300 days a year; that's $167 a day. Multiply your income by the days you'll be down.

INITIAL ESCROW FUNDING. Even if you eventually get it back, it's often due before you get any income. Some carriers build it over time via settlement deductions.

INSURANCE. Some carriers charge it to the owner-operator; some don't.

BASE PLATES. Unless you bring your own.

PERMIT FEES. Some carriers pay them; some don't.

DRUG TESTS. Most carriers pay for these.

EQUIPMENT. You might need to invest in tiedowns for flatbed work, chains for northern hauls, pumps and compressors for tank operations — or a tractor paint job.

EMPTY MILES. Unless you're switching to a hometown carrier, multiply your cost per mile times the miles you have to deadhead to the new carrier.

that pay regardless of whether it's collecting it from the shipper/receiver?

While that increasingly is the case, old practices survive at many carriers. Many of those businesses have moved in the direction of time-based pay systems with hourly detention-pay plans, often billed after one or two free hours, though some research suggests that up to half of the industry's drivers get little, if any, detention pay.

Independent owner-operators running under their own carrier authority bill direct shippers as much as $70-$100 hourly for excessive detention; it's unlikely you'll get such rates from your carrier as a leased operator.

HOME TIME. In assessing routes, loads and miles, ask if certain routes or regions are open that would accommodate your desired amount of home time. Make similar inquiries about specialized work such as heavy-haul or high-touch loads. Ask carriers about available miles and routes, and question their operators about the miles they're getting.

CULTURE. As with people, companies have personalities. Some carriers will want to control everything you do, and others will give you plenty of rein. Some companies provide limited benefits to owner-operators, such as fuel networks and insurance assistance. Don't overlook possibilities at small carriers, particularly if you're looking for more operational freedom. Some prominent larger all-owner-operator carriers likewise operate with a maximum of load, route and schedule choices for the majority of their drivers.

PHILOSOPHY. Does the carrier's way of doing business match yours? Ask whether company drivers get dispatched before owner-operators, or whether company drivers get better loads. Even owner-operators who work for the same company can get significantly different pay; the difference can be as much as 30 cents per mile. Would you be in the carrier's top tier – or bottom tier?

You usually can survive one switch in a year, though it's difficult. Switching twice in a year could put you out of business. If you have a good relationship with your driver manager, enjoy the company's culture and have opportunities to get the miles and pay that you need, then chances are you won't be better off anywhere else.

EVALUATING CARRIER COMPENSATION

Recruiting ads call out to you from trucking magazines and websites offering diverse pay and benefits. With so many carriers recruiting owner-operators and so many factors to consider within each pay package, it's no wonder drivers have a tough time estimating potential revenue and net income from advertised compensation packages.

While comparing pay packages is a time-consuming, often frustrating endeavor, the key is to start with an understanding of how much you need to make each month to cover your expenses. Only then will you know whether a carrier's pay package is a good deal for you.

Figure your total cost per mile by adding fixed and variable costs for the year and dividing by 12 to get the average per month. Then divide that number by average monthly miles to determine your cost per mile for a given month. This will be what you will need to make monthly just to break even.

Be sure to include nonrevenue miles, such as deadhead or a trip to the shop, in your monthly estimate. Those miles also cost money.

If a company agrees to pay you a dollar per mile for deadhead but it costs you $1.10 to operate the truck, you'll have to make up that lost 10 cents per mile elsewhere.

Profit margin (net income as a percentage of total revenue) for independent owner-operators without a carrier partner hovers at about 40 percent for owner-operators who do not include pay to themselves as a business expense, such as in an S Corp arrangment.

In your evaluation of compensation, you ideally want to beat the averages. *Overdrive* research in 2016 showed that more than 40 percent of owner-operators try to hit a profit margin target above 40 percent.

For some elements of a pay package, such as detention pay, it's also helpful to know your revenue per hour of driving. To determine this, multiply your per-mile rate by your average driving speed. For example:

Pay rate per mile	$1.10
Average speed	x 59 mph
GROSS REVENUE PER HOUR	***= $64.90***

Knowing your hourly rate helps you determine whether the detention pay you're offered adequately compensates you for the revenue you lose sitting on a load.

Use your break-even point and your hourly revenue estimate as you begin to gather information about pay packages. Ask carriers detailed questions about all revenue items and any cost items they cover or help cover. Chart those numbers on a spreadsheet to begin your evaluation. To make your comparisons as accurate as possible, make sure you understand some of the more confusing aspects of pay packages:

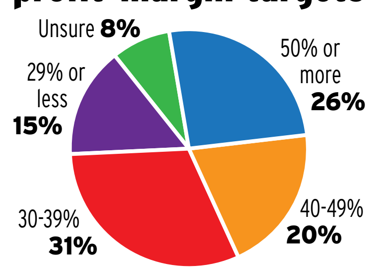
LEARN HOW MILEAGE IS CALCULATED. If a carrier pays by the mile, ask which system is used. Short miles give the shortest route, so they are the least desirable to an owner-operator.

Practical route miles average 3 percent to 5 percent more. Hub miles average 3 percent to 5 percent more than practical route miles, but few carriers use that system.

Many fleets have switched from short to practical miles, which amounts to an across-the-board raise. Practical miles systems use measurements based on actual addresses or ZIP codes and account for common-sense alternate routing.

Fleets won't pay drivers the

Owner-operators' profit-margin targets



According to 2016 *Overdrive* research, profit margin targets are a consideration of the large majority of owner-operators when analyzing potential income.

PAY SYSTEMS' PROS AND CONS

Many carriers have bucked tradition by offering owner-operators a choice of pay packages. It's typically either a company-dispatched mileage-pay program or a percentage-pay program in which owner-operator self-dispatch offers greater operational latitude. There are advantages to each. An owner-operator running on percentage shares the brunt of market conditions with the carrier, earning less money in bad times, whereas a mileage program in such times is an attractive safety net. In an environment with rates rising steadily, operators on a percentage program can benefit with a sort of built-in pay raise without running more miles. Operators who excel in percentage pay shift their focus from weekly mileage targets to revenue targets, ideally achieved on the fewest possible miles. Research conducted during 2017, as freigh rates improved, showed most preferring such operational latitude to maximize income.

MILEAGE PAY VS. PERCENTAGE PAY

MILEAGE PAY	PERCENTAGE PAY
• Rate to the truck inherently stable with miles	• Rate per loaded mile variable by lane/market conditions
• Often little self-dispatch freedom	• Self-dispatch often available
• Fuel surcharge often averaged among fleet accounts/diesel prices	• Fuel surcharge paid in lump amount according to individual negotiated accounts
• Niche specialization possible but not in operator's control	• Niche specialization by lane/freight within reach with self-dispatch
• Home time in control of dispatcher	• Home time a function of operator's ability to customize schedule

practical rate unless they know their customers also will pay the practical rate. Ask a prospective fleet whether its rate paid to drivers matches its rate charged to customers. Also ask what routing system the fleet uses.

You can run your own comparisons with programs such as Rand McNally's Milemaker (www.randmcnally.com/product/milemaker), Prophesy Mileage and Routing (www.mile.com), ProMiles (www.promiles.com) or ALK's PC Miler (www.pcmiler.com).

Some fleets also offer mileage pay that varies according to the haul's length, generally paying more per mile for shorter hauls. Ask prospective carriers about their particular variations.

LEARN HOW PERCENTAGE OF REVENUE IS CALCULATED. If a carrier pays by percentage, understand the calculations. Some carriers may pay 78 percent of 100 percent of the load's all-in revenue. Others pay 78 percent of 96 percent of the revenue, or 90 percent of 100 percent with added cost responsibility for the operators. Such distinctions can account for hundreds of dollars' difference over 10,000 miles.

LEARN THE POLICY AND PRACTICE OF FUEL SURCHARGES. Find out exactly how the surcharge is computed and whether it compensates for all or only part of rising diesel prices. The best-case scenario is a carrier that bills surcharges to all clients and pays all surcharges to the owner-operator. If the carrier pays only on collection, ask for the average amount passed on to owner-operators, and use that number to make your comparison.

LEARN THE REAL COST OF ANY CO-OP PROGRAM. If you plan to make use of a carrier's cooperative buying program, ask what the markup is on things such as tires. Ask how quickly the purchase has to be repaid.

Make sure you're getting a good deal. Some carriers with fuel programs charge owner-operators \$1 to \$3 every time they use the fleet's fuel card, which can add up to hundreds of dollars per year. On the flipside, buying fuel at a cheaper rate could more than make up for those fees. Crunch the numbers to find out.

CHAPTER 14

COMPUTERS, MOBILE DEVICES AND THE INTERNET

ONLINE TRUCKING RESOURCES COMBINED WITH EVER-CHEAPER DIGITAL TOOLS CAN HELP YOU WORK FASTER, SMARTER AND MORE PROFITABLY

It's still possible to track an owner-operator business with paper and pencil. But with improvements in consumer technology, owner-operator apps and software and steadily dropping prices, tracking your business electronically makes more sense than ever.

You can outfit yourself with a powerful laptop or tablet equipped for wireless internet access and software designed to manage your business for well less than $1,000. You can find a smartphone for little initial cost that can perform many of the functions that used to be the sole domain of an internet-connected computer, and it doesn't require a truck stop Wi-Fi (wireless internet) subscription.

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Some owner-operators use a tablet to have some of the advantages of a smartphone but with more of the feel and functionality of a laptop.

The savings from managing your business, as well as revenue boosts using sophisticated services such as online and/or on-demand load matching, will net you a speedy return on your investment.

HARDWARE

Any computer with the right software, or phone or tablet with the right app, will allow you to track and analyze your data in much the same way that a good business services provider would – evaluating your costs, revenue and per-mile comparisons. However, if you choose to handle those tasks yourself instead of delegating to a service provider, be prepared to spend many hours organizing paperwork and entering data. And depending on your expertise with the program you use, you could meet some frustration in crunching the numbers and making sense of them.

Consider these two main things before making a hardware purchase:

• Determine what you want to accomplish. What is the return on investment time for the purchase? Can it be justified financially?

• Know your options. You don't have to know everything about the hardware, but you should make sure it will perform the services you need.

If you want to run trip-planning software with GPS, receive and send e-mail, keep track of your own fuel tax and scan your receipts to retain electronic copies, a laptop with scanning and GPS functions would be a wise choice.

A smartphone or tablet also may do the trick, in some cases with the right peripheral devices.

If you decide on a laptop or tablet, consider one with a screen large enough to double as an entertainment center on the road.

While shopping at brick-and-mortar stores has its advantages, shopping online gives you many more models and prices to choose among. When buying a computer online, some vendors allow you to customize the computer to your specs.

Other tips:

• Ask other owner-operators what they like and don't like about their devices.

• Read technology and consumer product reports, and visit manufacturers' websites to configure computers and get a sense of direction.

• Consider buying refurbished equipment from a reputable source for the cost savings. Be sure to ask about the warranty.

• For a computer, ask what software comes free with the machine. Many come with a suite of Microsoft Office products such as Word and Excel, though similar software is available free for any user with a g-mail account online via Google's Drive function.

• Keep all receipts, registration information and original packaging in case you need to return the equipment or call for customer service.

TRUCKING BUSINESS SOFTWARE

The market for owner-operator and small-fleet software has expanded rapidly with a shift to web-based services that allow you to access your account from any device with an internet connection.

You can manage your business anywhere you can find internet access – something that's become much easier, as Wi-Fi service has spread to truck stops, rest areas, restaurants and motels, and cellular broadband access can fill in the gaps when Wi-Fi isn't available. It doesn't take much technical expertise to turn your cab into a full-service office.

Most business software is easy to use, even for the technologically challenged. Many providers offer manuals, online support and phone help lines. For trucking business software, you have two general choices:

CUSTOMIZED SPREADSHEET. If you're so inclined, you can design your own spreadsheets or databases based on a standard program that already might be on your computer, such as Excel, Quicken or Microsoft Money. Your business services provider can help you.

TRUCKING-SPECIFIC SOFTWARE. Many software packages have been designed for owner-operators. These programs perform a variety of functions, including tracking expenses, determining cost per mile, calculating fuel taxes and recording maintenance and warranty information.

The better programs can compile your data in different ways to generate reports that give you insights about your operation that might not be apparent otherwise.

Some programs also offer internet access to your data and the software.

Many software packages have streamlined access via smartphones and tablets. Integration with associated smartphone or tablet apps also can simplify recordkeeping.

The software and hardware markets change quickly. Research your options thoroughly before deciding to invest.

RECORDKEEPING AND LOGGING SOFTWARE

Laptop and smartphone applications make keeping track of records easier for owner-operators. With the free Expensify app, you can log mileage and store photos of receipts for purchases less than $75 for tax recordkeeping. There are also a number of mobile scanning apps that allow you to upload and send copies of bills of lading, IFTA paperwork and other documents instantly. DriveAxle, CamScanner and Genius Scan are just a few of the available scanning apps available to drivers. Laptop software such as that offered by Driver's Daily Log (driversdailylog.com) has been used by operators for years now, replacing paper log books.

Some products are automatic onboard recording devices (AOBRDs) or electronic logging devices (ELDs), which have been required equipment except for exempt operators since December 2017 — these hours of service logging programs are connected to your engine's electronic control module. If not connected to the engine ECM, smartphone- or laptop-based logging programs must be able to be retrieved and printed or emailed/faxed for view on request by law enforcement and since December 2017 are only legal for use for exempted operations. (See Chapter 15 for more). Access your ELD options via *Overdrive*'s quick-comparison chart at OverdriveOnline.com/2015eldchart. Don't decide on an ELD before assessing ancillary functions of the software that may meet other business needs.

TRUCKING ONLINE

With a connection to the internet via a smartphone or laptop, you can find virtually anything you need to know concerning technology and your business. Many owner-operators now use the internet to:

- Check traffic reports, weather and fuel prices.
- Find and book loads.
- Send bills of lading.
- Keep in touch with family, friends and dispatch.
- Manage bank accounts and finances.
- Stay up to date on trucking news and conduct research.
- Plan routes.
- Send receipts and settlement statements to business services providers and organize tax records.

In addition to those already mentioned, here is a closer look at some of the most helpful owner-operator applications:

LOAD MATCHING

Freight matching once meant scraps of paper with phone numbers stuck on truck stop bulletin boards, or postings on a TV monitor. Today, online load boards link independent owner-operators to freight based on posting time, equipment type and specific lanes. All the major boards now have optimized access to loads via smartphone apps or custom mobile sites. These typically are offered via a monthly subscription or a nominal fee.

Some of the major load services:

- **TRUCKSTOP.COM,** the first load-matching service on the internet. Formerly known as Internet Truckstop, at www.truckstop.com, you can access real-time searches, credit reports, weather information, road conditions, fuel optimization and mileage and routing information. Plus, it's also accessible by email, fax or phone. The Truckstop Mobile app is available on iPhone and Android platforms.
- **DAT TRUCKERSEDGE** (www.truckersedge.net) is powered by the DAT network, the oldest load board in the United States. TruckersEdge.net also provides a mobile version of its website for smartphone users. For users without a TruckersEdge subscription, DAT offers the DAT Trucker app for nearby load searches.

In recent years, as operators view a load board, it's often been difficult to be certain whether the load is a good one or not. Consequently, they've had to check broker credit scores and call for load details such as pickup-and-delivery points and rates.

That's been changing. More automation and transparency is gained with the marketplace model offered via websites and custom-designed software from companies Convoy, Uber Freight and others.

Traditional freight brokers also have made strides in technology with in-house load matching services of their own, with some of the larger ones, including names such as C.H. Robinson, Landstar and others, also moving into more automation of the freight transaction process.

TRUCKING INFORMATION

Dozens of sites provide other information tailored to truckers. *Overdrive*'s website, OverdriveOnline.com, offers a constantly updated mix of news, interactive forums and blogs from *Overdrive* editors, video, features, a reader trucks photo gallery and more. The *Overdrive* Radio podcast, also found on *Overdrive*'s website, is a resource for tips from experienced owner-operators and fleet owners.

Social sites such as Let's Truck (www.letstruck.com) and *Overdrive*'s Facebook page (facebook.com/OverdriveTrucking) also provide forums for thousands of truck drivers through dozens of specialized bulletin boards and sharing venues, including those for owner-operators and others dedicated to topics important to them. Through these discussions, truckers and industry experts share vital information and offer solutions to problems.

Truck stop chains such as Pilot Flying J (www.pilotflyingj.com | MyPilot app), TA Petro (www.ta-petro.com | TruckSmart app) and Love's (www.loves.com | Love's Connect app) list their amenities and offer locating services, parking and updated fuel prices via their smartphone apps.

All major truck and engine makers have websites where visitors can see the latest products, look up warranty information and find service and repair facilities. Many equipment makers also have developed smartphone apps linking users with dealers and service locations for warrantable and other repairs and roadside assistance. Search the apps market on your phone to download the apps, most available for iPhone and Android.

Companies such as ProMiles (www.promiles.com) provide truckers with accurate routes and mileage.

For market data, keep an eye on rate and lane stats via DAT Solutions' website, www.dat.com. Its "Trendlines" weekly reports track average spot and contract freight rates, with analyses of the best and worst lanes in America – important if you're self-dispatching. Truckstop.com's Trans4Cast reports offer market analyses on a weekly basis via Trans4Cast.com.

Federal and state governments have websites that allow you to pay taxes online, research regulations and report possible violations. The Federal Motor Carrier Safety Administration (www.fmcsa.dot.gov) site has links to all trucking regulations as well as pending rulemakings.

Trucking associations such as the Owner-Operator Independent Drivers Association (www.ooida.com) and the American Trucking Associations (www.trucking.org), as well as state trucking associations, provide many useful resources for owner-operators and fleets.

For a complete list of websites and telephone numbers for trucking-related agencies and trade groups, see Appendix 2: Resources (page 90).

MONEY MANAGEMENT APPS

- The free **Chase Mobile** app allows Chase account holders to snap a photo of a check with an iPhone or Android phone and deposit it directly.

- Create a central space for tracking account balances and bill payment due dates with the **Mint** app, available on iPhone, Android and Windows Mobile platforms, as well as for laptop web browsers.
- Create and track budgets with **Mint.com** and **Ace Budget**'s iPhone or Android apps.
- Need cash? The **ATM Hunter** app by MasterCard for iPhone, Android and Blackberry phones locates the nearest ATM.

CHAPTER 15

STAYING COMPLIANT AND SAFE

PROTECT YOUR CAREER BY FOLLOWING REGULATIONS, PRACTICING SAFE DRIVING AND USING DATA TO YOUR ADVANTAGE

The 2015 debut of the Freightliner Inspiration, the industry's first road-legal autonomous truck, raised many questions about its implications for where the industry is headed. Perhaps the biggest question for drivers concerns job security. For vehicles such as the Inspiration, operating at a moderate level of autonomy, a driver is required behind the wheel. When there is a need for changing lanes, parking or other circumstances that require common sense and quick judgment, the truck screams for help and turns control over to the driver. That driver needs the same level of driving experience as today's

Overdrive's PARTNERS IN BUSINESS

owner-operators.

So there are many developments yet to come before we see a safe network of completely autonomous vehicles. These developments are needed in regulations, highway infrastructure and integration of autonomous technology in other vehicles. Even as these things evolve, technology will still require a driver behind the wheel.

TRUCK REGISTRATION

Before you legally can operate a commercial vehicle in interstate or intrastate commerce, you must comply with certain regulations. For the owner-operator, it starts with truck registration.

Independents are responsible for their own registrations. Leased owner-operators have the option of doing it themselves or letting the company they are leased to handle it. Generally, the company deducts the cost from the driver's settlements. That might be easier, but if you get your plate through the carrier, you must leave it behind if you sever ties.

The cost of registering a truck varies from state to state, but you aren't allowed to shop for the cheapest base state. To base-plate in a state, you must:

- Have an established place of business in that state, with a street address, a listed telephone number and at least one person conducting business at that location. A post office box is not sufficient.
- Maintain records in that location.
- Accrue miles in that state.

Before you can register, your base state will require you to pay the federal heavy-vehicle use tax. Also, if you don't register your truck within 60 days of purchase, your base state will require proof of payment, usually a copy of Internal Revenue Service Form 2290 (heavy vehicle use tax return) and a canceled check.

Your truck must be registered in every state through which you travel. Years ago, you had to register separately in each state, but in 1991 Congress created the International Registration Plan, a streamlined nationwide system for truck registration.

Under IRP, you fill out a form and pay your base state. Similar to the way the International Fuel Tax Agreement apportions fuel taxes (see Chapter 5), a percentage of your fee goes to each state you travel through based on the number of miles you run in that state. When you register, you need to estimate how many miles you will travel in the coming year, state by state. Fees vary by each state.

SAFETY REGULATIONS

Most trucking safety laws are found in the Federal Motor Carrier Safety Regulations. Owner-operators must keep a copy of the regulations in their trucks. Many truck stops sell inexpensive paperback copies of them, and they're also available online and in digital form via fmcsa.dot.gov.

The parts that most affect owner-operators include:

- Part 390. General overview: violations and penalties.
- Part 391. Driver qualifications: responsibilities, annual review, records, road tests.
- Part 392. Driving commercial motor vehicles: safe loading and fueling practices, safety at railroad crossings, seatbelt use, emergency signals, emergency equipment use, passengers, illness and fatigue, drug and alcohol use.
- Part 393. Parts and accessories: proper lights and reflectors, wiring, batteries, brakes, windows, fuel systems, coupling devices, towing methods, tires, sleeper berths, mirrors, defrosters, speedometers, exhaust systems, floors, rear-impact guards, frames, cabs, suspensions, steering systems.
- Part 395. Hours of service: maximum driving time and on-duty time, record of duty status, electronic logging devices, out-of-service declarations.
- Part 396. Inspection, repair and maintenance, including recordkeeping requirements.
- Part 397. Transporting hazardous materials, state and local laws, driver presence and surveillance, parking, fires, smoking, fueling, tires and routing.

In 2010, the Federal Motor Carrier Safety Administration began implementing its Compliance, Safety, Accountability program. It features a safety rating system for motor carriers, including independent owner-operators, based on roadside inspection observations and crash data.

The FAST Act highway bill, passed in December 2015, required FMCSA to remove CSA scores and its Behavioral Analysis and Safety Improvement Categories from public view

PRACTICING SAFETY

Safety is your biggest responsibility. Every year, some 500 truck drivers die in highway accidents in the United States, thousands more are injured, and thousands of citizens die or are injured in accidents involving a truck. Avoid becoming part of those statistics by learning safe driving techniques and making them the foundation of how you operate.

LOGS. Strict adherence to hours of service regulations is a good step toward safety — and keeping out of trouble. Today's procedures, with nearly every stop documented with date and time, allow DOT and carriers to closely monitor hours of service compliance. Sooner or later, anyone violating the regulations will be caught.

PARKING AND BACKING. Most minor accidents occur when a driver is parking or backing, so even at low speeds it's no time to become complacent. Never begin backing before first walking to the rear and looking all around, including up and down, for obstructions. Never rely solely on the opinion of spotters (especially at truck stops).

STAY IN YOUR LANE. It is normally in your best interest to maintain a single lane of travel until you come to a stop. Some reasons for leaving your lane may not be under your control, such as another driver cutting you off. You likely will do less harm to yourself and others and create less property damage if you maintain a single lane of travel during any incident.

DEADLY DISTRACTIONS. It is illegal to talk on a handheld phone or text while operating a commercial motor vehicle in interstate commerce. That said, even the best drivers find that their attention can be diverted easily. Reading a map, talking on a CB, listening to music, daydreaming or picking something up from the floor are all distractions.

THE MOTORING PUBLIC. Truck drivers are expected to drive safely and predictably, and the vast majority do. On the other hand, four-wheelers often drive in an unpredictable fashion, especially when they are near trucks. Their poor driving may display ignorance of your vehicle's limitations, their own impatience or other conditions. Recognize their inexperience, and use extra care.

SPECIAL LOADS. Certain types of hauling, such as with tankers and flatbeds, require even more training and care to operate safely. Tankers carry liquids that may be flammable or toxic. In certain circumstances, these liquids can push the vehicle in unexpected directions just when it needs to be stable and predictable. Flatbed cargo can become dislodged or, in a sudden stop, come loose and be projected toward the driver or others.

KNOW YOUR LIMITS. Don't overestimate your ability, whether driving in substandard conditions or dealing with fatigue. The only true cure for fatigue is sleep.

until reforms are made to the system. However, scores remain available for viewing by law enforcement and motor carriers themselves. The general public and shipper/broker customers still can access raw inspection and violation data for any carrier going back two years. After the scores were pulled from public view, about a third of *Overdrive* readers still reported a third party (such as a broker, shipper or insurance company) requested visibility into their now-private scores as a condition of doing business.

Your carrier's scores are affected directly by all of your on-road infractions noted by an inspector or safety officer. FMCSA has deployed a similar system that tracks individual driver performance internally the same way it is ranking motor carriers. The agency made intentions in the past to take this system public to rank individual drivers. This system is available in part to carriers checking your business' history for pre-lease screening.

You can minimize the impact of CSA by being certain your truck is in compliance with all equipment regulations and by following these steps:

- **Do everything practical to avoid inspection violations.** That starts with thorough pre-trip and post-trip inspections and attention to needed maintenance, and extends to minimizing inspections themselves. Some carriers have instituted cash awards to operators for inspections with no violations, which help a carrier's CSA rankings, so this could pay extra dividends. Use PrePass or other weigh-station bypass systems to stay out of the inspection stations as much as possible. Wash your truck regularly, dress neatly and otherwise avoid doing anything that might draw the attention of patrol officers.

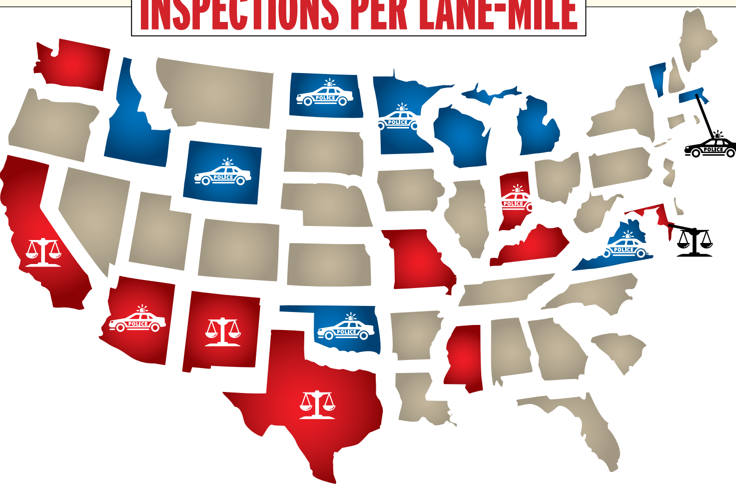
Highway patrolmen note that up to 90 percent of every carrier's problems arise from speeding. Slowing down will help your carrier's or your own ranking, because if you speed and are caught, the officer often will inspect your vehicle, and small violations can mount up.

Clean inspections are the only immediate way to improve categorical percentile rankings in

INSPECTIONS PER LANE-MILE

MOST INTENSE ENFORCEMENT*

Maryland **16**
California **16**
Texas **10**
New Mexico **10** ↑2
Arizona **8** ↓1
Washington **8** ↓1
Kentucky **6**
Indiana **6** ↑8
Mississippi **6** ↓1
Missouri **6** ↑7



LEAST INTENSE ENFORCEMENT

1 North Dakota
1 Idaho
2 Wyoming
2 Virginia
2 Oklahoma
2 Massachusetts
3 Wisconsin
3 Minnesota
3 Michigan
3 Vermont

**Arrows indicate the number of places the state's truck enforcement unit moved up or down the rankings in 2016.*

More than 60 percent of inspections conducted at roadside.

More than 60 percent of inspections conducted at a fixed location.

In 2016, total inspections counted by *Overdrive* sister company RigDig Business Intelligence (RigDigBI.com) rose by more than 130,000 to 3,264,342 inspections, a 4.4 percent rise over 2015 totals. As the list illustrates, there was considerable variation at the state level. RigDig mines data from all inspections of trucks and drivers for carriers with an associated U.S. DOT number.

CSA's Safety Measurement System. A clean Level I driver and truck inspection improves carrier scores in most SMS BASICs of compliance measurement by offsetting or diluting the weight of prior violations.

• **Protect your MVR.** If you get a ticket you believe is unjustified, whether following a crash incident or other violation on the road or at a scale house, know that payment of the fine is an admission of guilt. It ensures that the ticket becomes a conviction and will follow you through at least the next few years of your career — and in some states, much longer — on your Motor Vehicle Record.

Employers are required to keep on file an annual MVR for every CDL driver they employ. Depending on the carrier, one or more convictions for safety-serious violations could be grounds for terminating a lease.

The MVR is also a prime determining factor in insurance rates for all owner-operators.

If you think you've been ticketed wrongly, you can either represent yourself in traffic court or hire legal representation. Some services such as the Drivers Legal Plan (DriversLegalPlan.com) and Road Law (RoadLaw.net) represent truckers for generally small fees.

• **Pick your partners wisely.** A carrier that takes its safety scoring seriously is going to be increasingly more likely to have solid customers and its pick of freight than the opposite. Treat your carrier as a partner in your business, and look for them to treat you the same way.

• **Learn to work with electronic logs.** Since Dec. 18, 2017, when FMCSA's electronic logging device mandate went into effect, drivers have been required to use ELDs for hours of service recordkeeping, with a few exceptions. The mandate does not apply to drivers of pre-2000 model-year vehicles or vehicles with pre-2000 model-year engines.

ELDs can eliminate the majority of what used to be common errors – so-called "form and manner" hours of service violations. Hours of service is one of seven BASICs in the CSA system.

Yet ELDs, by virtue of their partially automated, detailed recordkeeping, can create new compliance problems in difficult situations, such as when you are unable to find a place to park or need to move your truck a very short distance during an off-

FMCSA'S MANDATE FOR ELDS

As required initially by Congress, the Federal Motor Carrier Safety Administration's electronic logging device mandate has required most motor truck carriers to replace traditional paper logbooks with ELDs. Leased owner-operators generally have to use whatever system is required by their carrier, but true independents have a choice to make in terms of their ELD system. *Overdrive* has a periodically updated resource available via OverdriveOnline.com/2015eldchart that lists a variety of ELDs that are available. The chart indicates whether or not the listed device is FMCSA-compliant and listed on the agency's ELD registry.

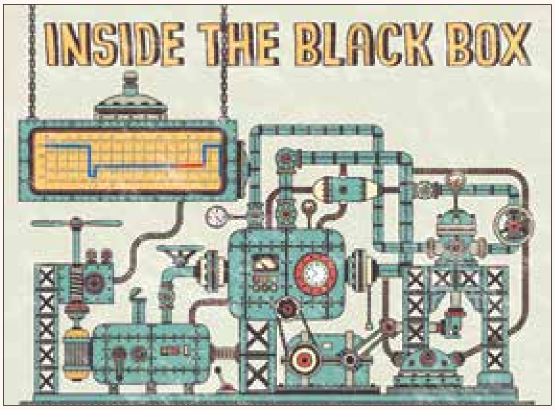
Fleet-focused onboard devices offer a lot of bells and whistles, but independent owner-operators are likely to gravitate to a baseline-compliance device. They can benefit from additional functions such as IFTA data collection, making mileage tracking automatic and easily reportable. If you manage more than one truck or are poised for growth, simplified dispatch tools in back-office programs may help you scale your operation. As you're making your decision, consider these issues:

SUPPORT. The mandate specifies an eight-day timeframe for repairing/replacing a malfunctioning ELD. Does the provider stock the kind of hardware inventory to meet such a quick turnaround? How are replacements/repairs handled? For carriers needing more than eight days to replace any ELD, the rule also spelled out a process for requesting more time. It involves contacting your state's FMCSA division office and making your case.

FMCSA REGISTRY AND COMPLIANCE. Technically, compliant ELDs must be on FMCSA's registry of devices. The agency's vetting process does not entail testing for compliance, relying largely on manufacturers to self-certify that they meet the rule's specifications. That's prompted worry among motor carriers about what happens if their device is later found to be noncompliant.

FMCSA addresses that scenario: "FMCSA will work with affected motor carriers to establish a reasonable timeframe for replacing noncompliant devices." For any product, ask the vendor about its plans for maintaining its registration and whether it has a plan for long-term support. As of mid-2018, already some manufacturers have called it quits, leaving owner-operator customers in a bind.

According to footnotes in the Commercial Vehicle Safety Alliance's updated out-of-service criteria handbook, trucking without an ELD is equivalent for law enforcement purposes to running without a log book for most owner-operators, requiring an out-of-service period of at least 10 hours and an extra hit to your safety rating.



In April 2017, *Overdrive* published a comprehensive guide to electronic logging device systems detailing what owner-operators can expect from the mandate to replace traditional paper log books. Access it and further resources via OverdriveOnline.com/2017-eld-buyers-guide.

Exceptions to the rule

The ELD mandate exempts all owners of 1999 and older model-year trucks and engines from ELD compliance, based on the engine serial number primarily. Other exemptions are out of reach for most owner-operators, including only drivers in drive-away/tow-away operations, where the vehicle being driven is the commodity being delivered; drivers operating under the timecard exception to the hours-recording rules — the 100- and 150-air-mile radius short-haul exceptions — exclusively; and other short-haul drivers who occasionally keep a logbook but do not do so for more than eight days in any 30-day period.

Over the last decade, many larger fleets have adopted ELDs chiefly for two reasons:

• The advantages — productivity, reduced violations and more — were worth the costs.

• The fleets expected a government mandate and other industry pressures, so they decided to convert on their own timetable.

Many owner-operators resisted ELD use until the last minute, in some cases pinning their hopes on the pre-2000 truck exemption. Remaining a holdout could prove problematic. As *Overdrive* has reported, carriers leasing owner-operators may be more likely to require leased drivers to run with ELDs, even if the truck's model year means it's exempt. In a survey of fleet owners taken in the months following the mandate's release, 70 percent of fleets of more than 10 trucks indicated they'd require ELDs on pre-2000 trucks owned by their leased owner-operators if mechanically feasible.

duty period. Be sure to stay current with regulators' interpretations of personal conveyance guidelines and, if you're leased, your carrier's policy regarding ELD annotations and editing.

• **Consider using video systems.** A video-based driver risk management system can help determine fault in an accident. A forward-facing camera can prove a driver's innocence in an accident and other events, key in making challenges to erroneous violations and in some instances contesting tickets to protect your MVR. Some fleets are using driver-facing cameras not only to determine the possible cause of an accident but also as an ongoing training tool. (Such systems usually are offered as opt-ins for leased owner-operators.)

• **Mind the small stuff.** Pay strict attention to all aspects of your operation. A frequently incurred violation contributing to scores in the Unsafe Driving BASIC is the simple seatbelt violation, often accrued after a speeding stop.

• **Build law enforcement relationships.** For independents, good relationships with the highway patrol in your area will enable you to call on them for advice in particular situations. It also will increase the possibility that, should you need help in the Vehicle Maintenance BASIC, they might make themselves available for terminal inspections, conducted at your central place of business.

Managing the historical inspection information that is being collected about you also is important.

• **Access your records.** In the view of FMCSA, any owner-operator who is leased to a carrier and who hasn't had his authority for the last two years does not have any safety ranking in the CSA SMS. But a leased owner-operator's data profile there is important. Leased owner-operators can gain access to the data the internal measurement is based on via FMCSA's Pre-Employment Screening Program or PSP (www.psp.fmcsa.dot.gov) for $10.

Alternatively, making a Privacy Act request via FMCSA's Freedom of Information Act office will net you the same results for free – but with a turnaround time of several weeks. If you have a prior driving and inspection history and haven't accessed the information yet, it's important to do so to make certain it is correct. It will be used by carriers evaluating any lease application you make, and it could impact your insurance rates.

For owner-operators applying for a new lease and facing carrier qualifying processes, a pristine PSP report is valuable, as some carriers look to tie driver mileage or percentage pay scales to safety performance. Providing an up-to-date clean PSP to a prospective carrier before they request such is something an owner-operator confident in his/her safety performance might do to document safety performance history effectively.

Whether you're leased or independent, you'll be reviewing information contained within the same database. Make certain all violations and/or crashes contained on your PSP, or in your CSA SMS profile if you have your authority, are connected to you correctly.

For independents, challenging erroneously assigned inspections or crashes, or violations tied to citations thrown out in a court of law, is your responsibility.

Challenges are conducted via FMCSA's DataQs portal at dataqs.fmcsa.dot.gov. The Owner-Operator Independent Drivers Association offers its members free assistance with navigating this process, as do some ELD vendors and other service providers.

TRUCKING INSURANCE

UNDERSTAND THE TYPES OF COVERAGE AND WHAT YOUR OPERATION REQUIRES

After the truck payment, truck insurance is one of an independent owner-operator's biggest fixed costs, one that must be paid on time whether a truck is running hard or parked. Without adequate insurance, an accident or cargo claim could mean financial ruin.

THE COST OF PROTECTION

Insurance expenses can add up quickly, which is why many owner-operators budget their premiums a year ahead. Your age, your driving record, the age and condition of your equipment, the commodities you haul, the lanes you run and state requirements all affect insurance costs, but an owner-operator with a new truck and trailer and his own authority is likely to pay:

- $6,000 or more a year for $1 million in primary liability insurance. This covers damage or injury done to others in an accident.
- $5,000 a year for physical damage insurance. This covers damage done to your truck and trailer in an accident.
- $1,000 a year for cargo insurance. This covers damage to or theft of the load you're hauling.
- $630 or more a year for $1 million in non-trucking-use liability insurance. Often called "bobtail insurance," though not necessarily the same, this covers damage or injury to others in case of an accident while you're not under dispatch.

All that insurance totals almost $13,000 per year, assuming a safe driving record. Cited speed demons can pay much more. For liability insurance, newly established owner-operator businesses in some cases pay that much for liability alone.

Leased owner-operators generally carry just as much truck insurance but pay for less of it themselves. The leased operator should make sure the lease agreement specifies what he is not responsible for, typically primary liability and cargo insurance, and what he is responsible for, typically physical damage and non-trucking liability insurance. Some fleets charge the owner-operator for primary liability and cargo insurance, usually by taking a

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percentage of all settlements, but other fleets absorb it as part of the cost of doing business.

Owner-operators shopping for bobtail (operating without the trailer) or nontrucking (personal use) liability insurance can look to trucking-specific insurance agencies or truck dealers – or buy direct from the insurance company itself. Shop around before you buy, looking for the most coverage at the most reasonable cost.

Some leased owner-operators buy all their insurance independently of the plans offered by their fleets. This costs more in most cases, but its advantages include more control of your coverage, a closer business relationship with your agent, and a speedier reply when you have an emergency. Better yet, independently purchased insurance is portable, so if you and your fleet part ways, you're still covered en route to the next orientation. Before you can be assigned a load, you'll have to show your carrier proof you have all the coverage it requires.

LIABILITY INSURANCE

If you are operating under your own authority, you are required by federal law to have a minimum of $750,000 liability coverage. This is to protect you in a major accident in which you are at fault. You may want to consider higher coverage since a catastrophic truck accident can cost many millions of dollars. Many shippers require carriers they use to carry $1 million in liability to ensure the truck and driver.

Because primary liability insurance is the law, it's standard in lease agreements. Remember, though, that just because your carrier is insured against damage you cause, it won't necessarily be on your side in case of an accident. For that reason, some leased owner-operators opt to buy liability insurance independently of their carriers.

For most, however, having liability taken care of is one of the biggest advantages to leasing. Owner-operators who switch to their own authority often are surprised by how costly, complex and time-consuming liability coverage can be, particularly when starting up a first-time business. While a damage policy commits the insurer to paying only the current value of the truck, a typical primary liability policy commits the insurer to paying as much as $1 million if something goes wrong. Moreover, the insurance industry considers owner-operators to be higher risks than fleets, and that earns the insurer only about $6,000 a year in premiums.

Small wonder that the insurer, before signing that contract, wants every assurance that nothing will go wrong. The insurer is likely to quiz an independent about the type of freight to be hauled, the region or operating radius, his background as a driver and as a business person, and regular safety and security practices.

Owner-operators can help themselves by demonstrating they have a solid business plan for the short and long term, including a daily maintenance schedule and routine safety procedures. Bundling different coverages with one insurance company also can help, since most insurance providers offer combined deductibles, meaning in the case of an accident, the driver will have to pay only the typical $1,000 deductible once to cover a damage and liability claim.

With more fleets adopting in-cab video cameras, both road-facing and driver-facing, it's possible in-cab video systems one day will become a precondition to getting insured – or more likely a factor that can lead to premium discounts, something happening in some quarters today. Some insurance providers, while not offering such premiums, will offer owner-operators a discount on a dashcam purchase or, in rare cases, pick up the cost themselves.

DAMAGE INSURANCE

The law does not require physical damage insurance, but lenders do. A damage policy will pay no more than the value of the equipment at the time of the accident. In other words, you won't get a new truck out of a damage claim, even if your present truck is totaled. The insurer's preference always is to go the cheapest route, which usually is repairing the truck you have. At best, you'll get enough to buy another truck of the same age and mileage.

A typical damage premium is anywhere from 3 percent to 5 percent of the truck value, or $3,000 to $5,000 for a truck worth $100,000. A bad driving record, however, can bump the cost to 8 percent a year or more – if you still can get damage insurance at all. If you buy damage insurance from a truck dealer financing your truck, your truck payments are higher, and your interest costs go up. It may be less expensive to get insurance through an independent agent.

Make sure that damage policies don't count the cost of towing as part of a settlement. If they do, thousands of dollars of any settlement will go not to repairs but to the tow company. You're better off getting extra coverage for towing.

GAP INSURANCE. Since an owner-operator can owe more on a truck than it's actually worth due to depreciation, a damage settlement may not be enough to make the rest of the payments on the totaled rig. If you're driving a new truck or a used truck not more than five or six years old, gap insurance might be helpful. It covers the difference between the actual book value of the truck and what you owe on the truck. If the market value of your truck is $60,000, but you have a loan balance of $70,000, you would be short $10,000 to pay off the loan in the event your truck was totaled. Gap coverage would make up the $10,000 shortfall.

DAMAGE DEDUCTIBLES. Besides the premium, the other important number in a damage formula is the deductible. A deductible of $1,000 means the policyholder agrees to pay the first $1,000 of expenses before the insurance kicks in. The higher the deductible, the lower the premium.

INSURANCE TO DEFEND AGAINST LITIGATION

There is plenty for owner-operators, especially independents, to learn from bigger carriers that have been targeted in questionable litigation. Making smart choices about where to spend your money to ward off risk, chiefly in the area of liability insurance, could be key to your survival if you collide with a four-wheeler.

Excess liability insurance. The threat of litigation is ever-present in the event of an injury or fatality accident, and that even goes for accidents where you might not expect litigation to rear its head.

Some carriers carry extra liability insurance - an extra $1 million or more above the standard $1 million policy. Doing this will increase your premium, which can be offset with a higher deductible if you have the resources to pay for most smaller accidents.

It seems wise to have as much protection as you can afford. Yet the more you have, the more likely it is that an abnormally high post-jury award ultimately will result in a settlement near or equal to the limits of whatever you carry, increasing costs for you and your insurer.

Given these dynamics and the minimum $750,000 in government-mandated required liability coverage, it's no wonder trucking businesses are a target for plaintiff's attorneys.

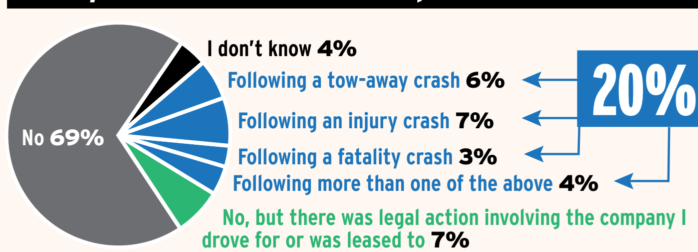
Many small fleets' insurance policies have no deductible, meaning the fleets pay no part of any insurance claim directly. Insurers, thus, for the majority of those smallest fleets are more inclined to settle out of court if they have a sense that a drawn-out court case could go awry toward a high award.

Excess liability insurance is at least cheaper than the primary policy for an owner-operator with his own authority. While the first million in coverage could run from $5,000 to $10,000 or more in annual premiums, you'd likely only be looking to add $1,250 to $1,500 for that extra million in coverage.

Camera and ELD evidence. Much of the monitoring equipment that many larger carriers are investing in also gives them a critical edge in legal disputes. Video cameras, which also are used in ongoing training for drivers who exhibit unsafe habits, also can prove what really happened in a crash. Electronic logging devices, beyond their primary function, can remove a common line of legal attack by encouraging and proving bedrock compliance with hours of service regulations.

Both road-facing and driver-facing cameras can prove helpful in the event of a crash, as the driver-facing camera can help prove you weren't on the phone or doing something else to distract your attention from the road when the accident occurred.

Have you been a defendant in a post-crash civil lawsuit?



In 2016 polling conducted by *Overdrive*, one in every five readers reported being named directly as a defendant in a civil trial following a crash.

PUT AN INSURANCE AGENT ON YOUR TEAM

Many owner-operators rely upon a dedicated truck-insurance agent, whether leased or independent. An agent who knows the trucking industry and your business plan can help assure you're always covered and can make your premiums. Get the company's name, and check it out for free at the A.M. Best website (www.ambest.com), which ranks each insurer according to its financial viability. Sticking with A-rated insurers is the best policy because they offer better coverage and faster turnarounds on claims.

The chief question to ask of an insurer is how quickly it can get you back on the road. Other questions include:

- Does the policy cover a truck rental while your rig is in the shop?
- How quickly can you reach the agent in case of emergency? This isn't just a convenience for the policyholder; good insurers want to be notified as quickly as possible in case of an accident.
- Does it have a 24-hour claims hotline number?
- Can you reach your personal agent quickly, perhaps through a cellphone number?

Don't call your agent only in an emergency, though. Even drivers with 2 million safe miles need to check in with their agents regularly. Let your agent know when anything changes – new equipment, new routes or a new driving partner. Call whenever you're considering hauling something unusual, such as a reefer load if you're typically a dry van hauler.

Ask your agent for a range of prices at various deductibles, low to high. Deductibles of $1,000 are typical. A top-of-the-line rig may have deductible options as high as $10,000. Low to moderate deductibles, however, are the best choices for an owner-operator. A high deductible is no bargain if an accident puts you out of business. If the deductible in your fleet policy is too high for comfort, you can buy insurance that will pay that deductible for you. Such "deductible buyback" insurance generally is cheap.

COVERAGE OF OTHER EQUIPMENT. Any truck equipment not covered in a basic damage policy — such as auxiliary power units, tarps, binders and chains — can be added by the owner-operator at minimal cost. A basic damage policy likely won't cover the cost of replacing a tank full of diesel that spills in an accident, or any other fluids that need replacing afterward. Boilerplate damage policies typically cover only permanent manufacturer-installed fixtures on the truck, not any extras added later such as satellite radio or chrome. All can be covered for a small fee, but the insurance company has to know the items are there.

CARGO INSURANCE

The federal government ended its requirement for $5,000 in cargo coverage for interstate carriers in 2011, but shippers continue to require it of carriers hauling their freight. Fleets typically buy $100,000 on the owner-operator's behalf, which is the amount mandated by many shippers. Specialty haulers can carry far more.

The fine print in some lease agreements charges the owner-operator for any cargo losses if he's at fault in an accident, cargo insurance or no cargo insurance. Some loads have a higher value than an owner-operator's cargo insurance can cover. Yet owner-operators often don't know who's liable for the difference if an expensive load is lost. See what your policy covers before an emergency occurs.

NON-TRUCKING-USE LIABILITY INSURANCE

The name of this insurance, which covers you when you're not under dispatch, is a more precise term for what used to be called "bobtail insurance." The meaning of "under dispatch" sometimes has to be determined in courtrooms. Courts have held that even a bobtail trip home can be considered under dispatch, since the route is determined by where the fleet most recently sent the driver.

Sometimes the fleet's insurance company refuses to pay a claim, arguing the owner-operator was not under dispatch at the time, and the owner-operator's insurance company likewise refuses to pay, saying he indeed was under dispatch. In these cases, the owner-operator is caught in the middle and probably needs a good lawyer himself.

Non-trucking-use liability coverage is required by the majority of carrier leases. The cost is typically $50 or more per month.

HEALTH AND INCOME INSURANCE

PAYING FOR COVERAGE OF PERSONAL RISKS IS A COST OF DOING BUSINESS

Health is the third core reason owner-operators fail – behind only poor truck maintenance and a lack of business skills. Many over-the-road drivers rarely have the time to see a family physician at home, much less a doctor while on the road.

Many also lack a disciplined approach to diet and exercise.

Complicating this health picture for many owner-operators is inadequate health insurance coverage.

The average owner-operator who spends money on health, dental and vision insurance pays about 8 percent of his average net income.

One bright spot among the high costs is a sizable tax break. Independent contractors can deduct 100 percent of their premiums, provided a spouse doesn't qualify for health insurance through an employer. Assume you have a family policy with a moderate deductible that costs $10,000 a year in premiums. If you're in the 15 percent tax bracket, that knocks $1,500 off your tax bill.

In spite of all the risks,

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many owner-operators go without health insurance. Although the Affordable Care Act had penalties in place for those that chose to go without insurance, that individual mandate goes away in 2019. Because it has remained in effect for 2018, its penalties will be applied to 2018 tax returns due April 15, 2019.

The structure of health insurance exhanges that came with the ACA remains in place. Otherwise, the health insurance landscape continues to change, though there are other ways to get at least a minimum level of health coverage or to reduce the costs for good coverage.

YOUR SPOUSE. If you're married and your spouse is eligible for family health care coverage, take advantage of it.

YOUR COMPANY. If you're leased to a carrier, you may be eligible for its group policy, though not in the same way as an employee. You'll pay all of the premium — the employer's share plus what an employee would pay — plus a fee for processing.

Check with your business services provider to make sure the plan doesn't endanger your status as an independent contractor.

ALTERNATIVES TO INSURANCE. The National Association of Independent Truckers' partnership with Aliera offers members access to AlieraCare, an ACA alternative that combines preventive care with what's known as a "health care sharing ministry" for hospitalization. It arises from old religious entity-based risk-sharing groups, and it's not insurance, exactly, but is intended to provide members with quality medical services.

ACA HEALTH-INSURANCE EXCHANGES. The Affordable Care Act has solved some owner-operators' health care financing problems.

Premiums available on the health-insurance exchanges vary widely by plan level, family size, age, income-based tax credits and where you live. The lower an operator's taxable income is, the better rates look in the exchanges.

HIGH DEDUCTIBLES. Policies that charge lower premiums in return for you assuming high deductibles, often $2,000 to $5,000, are helpful if you rarely visit the doctor. After meeting the deductible, the policyholder pays a portion, often 20 percent, of the medical bills.

Policies are available with deductibles as high as $10,000. However, if you raise your deductible too high, you're in effect paying for health care out of your pocket and buying only catastrophic coverage, a safety net to cover ailments that produce five- or six-figure bills, such as a heart attack or cancer.

If you're older than 40 with a family history of medical problems, or if you're someone who is unlikely to use health care on an ongoing basis, you might not want such a high deductible because you probably rarely would receive any benefits.

High-deductible plans, many available via the ACA health-insurance exchanges (see chart on the next page), can be more affordable when they're associated with a Health Savings Account.

HEALTH SAVINGS ACCOUNTS

For some owner-operators, tax-exempt medical accounts can lessen the hurt of health care costs. Health Savings Accounts are part of many plans on the health insurance exchanges and allow unspent contributions to roll over year to year.

The major qualifier remains having a policy with a high deductible. Of course, this is also the root of the savings, because premiums on such policies tend to be lower.

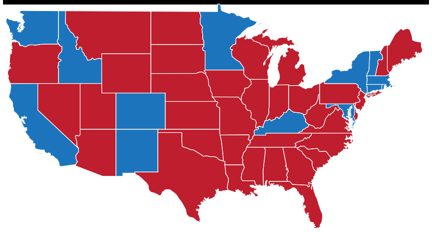
A high deductible means you're likely to pay 100 percent of your routine health care. Should anyone on your policy need major care, the policy kicks in after the deductible is met.

Advantages include:

- A wide range of qualifying expenses, including chiropractic services, over-the-counter pain relievers and other items that traditional insurance wouldn't approve.
- Some health care providers discounting services for their HSA clients.
- Your taxable income being reduced by whatever you put into the HSA.

Unlike money put into an IRA, which gets taxed upon withdrawal, HSA funds are

AFFORDABLE CARE ACT COVERAGE



Federal exchange states
HealthCare.gov, (800) 318-2596

States operating their own exchanges
California: CoveredCA.com, (800) 300-1506
Colorado: ConnectForHealthCO.com, (855) 752-6749
Connecticut: AccessHealthCT.com, (855) 805-4325
District of Columbia: DCHealthLink.com, (855) 532-5465
Idaho: YourHealthIdaho.org, (855) 944-3246
Kentucky: KYEnroll.KY.gov, (855) 326-4650
Maryland: MarylandHealthConnection.gov, (855) 642-8572
Massachusetts: MAHealthConnector.org, (877) 623-6765
Minnesota: MNSure.org, (855) 366-7873
New Mexico: MyNMHC.org, (877) 769-6642
New York: NYStateOfHealth.NY.gov, (855) 355-5777
Rhode Island: HealthSourceRI.com, (855) 840-4774
Vermont: HealthConnect.Vermont.gov, (855) 899-9600
Washington: WAHBExchange.org, (855) 923-4633

never taxed if they're spent on health (though there is a 20 percent penalty for funds not used on health). After you turn 65, you can spend it on things unrelated to health, but such spending is taxable.

REIMBURSEMENT ARRANGEMENTS

Some savvy owner-operators have been able to take advantage of Section 105 of the federal tax code, which allows for Health Reimbursement Arrangements.

A sole proprietor owner-operator who can establish a legitimate employer-employee relationship with his or her spouse, whether team driving or not, can set up an employer-funded spending account from which to pay medical bills for both people. The entire amount can be noted on Schedule C as a business deduction, rather than as a line item on your 1040. This produces tax savings higher than the standard medical premium deduction for the self-employed.

Some companies set up HRAs for a fee, or you can set up such a plan yourself, using software and online guides.

TIPS FOR THE SHORT HAUL

Caring for your body is like caring for your truck in that both involve assessing products and services. The informed consumer knows how to get the best value. In the realm of health care, finding those values isn't always obvious. Here are ways to spend your health dollars wisely.

Shop around. Ask different offices how much they charge for similar medical or dental services. While the cheapest may not always be the best, three or four contacts should give you a good estimate. ConsumersUnion.org reports that stores in the same city often have widely different prices for the same medications. Call and ask. You also can buy your meds online.

Buy generic. By law, U.S.-made generic medicines are required to meet the same standards as their brand-name inspirations, but they're far cheaper.

Review all medical bills. You've probably asked questions about line items when reviewing a truck purchase statement. The same policy applies to medical bills.

Even a simple visit to the doctor can produce multiple charges from a lab or X-ray technician, and an emergency room visit or surgery can produce a stream of bills for months.

Carefully review any medical bill before paying it. This especially is important if you don't have an insurance company to vet charges on your behalf. If items are listed as "miscellaneous" or coded, ask for details. Scrutinize statements from your insurer just as carefully.

Negotiate rates. The National Insurance Resource Center's website suggests that negotiation may work for people without insurance in getting medical expenses reduced before the service is rendered. It never hurts to ask.

Get a second opinion. If your doctor or dentist suggests a major operation or procedure, get another opinion. Some insurance policies require a second opinion for major procedures, so you could be liable for a big bill if you fail to do so.

Appeal insurance rejections. Most insurance companies have an appeals process if a billed procedure or medical expense is denied. Most insur-

ACA COVERAGE LEVELS AVAILABLE

Preventive services are covered in all exchange plans except those for catastrophic coverage. Those low-cost plans kick in only after a high annual deductible is met. Any nonpreventive medical care costs would be split between the insurer and insured at coinsured percentage rates specified in the different plan levels after any deductible is met.

A big part of the Affordable Care Act is the standardization of plan levels, with variations. For instance, there are PPOs and HMOs, the latter more limited in doctor options but generally cheaper. There are plans with varying deductibles at each standard level, and many are set up to pair with a Health Savings Account for medical spending. Given that access to tax credits to reduce premiums is based on your income, and money put into an HSA directly reduces your taxable income, use of such a plan could be beneficial to overall premium costs if your household income is near the level at which you might qualify for premium reduction.

The subsidy line is drawn at 400 percent of the federal poverty level. In 2018 that was $48,240 for an individual, $64,960 for a family of two, $81,680 for three and $98,400 for four. If your household modified adjusted gross income is below that level and no employer-based insurance is in reach, you will qualify for reduced premiums. Standardized-plan coinsurance levels are as follows:

Platinum plans: 90/10 percent
Gold plans: 80/20 percent
Silver plans: 70/30 percent
Bronze plans: 60/40 percent
Catastrophic coverage: Available on the exchanges only for applicants under age 30

ance companies allow for three appeals on a single issue.

Avoid emergency rooms. If you're suffering a heart attack or serious injury, use a hospital emergency room. Otherwise, they're too expensive and often have long waits. Many communities have walk-in clinics that treat common problems such as colds, flu, broken limbs and cuts.

Use telemedicine services. Although the concept of "telemedicine" originated 40 years ago, it's just now becoming a reality. The appeal to truckers is twofold: low cost and easy access. Sites such as MDLive.com offer physician "visits" for around $50, sometime less. MDLive also offers behavioral services, with immediate access to therapists and mental health professionals. The NAIT group offers a telemedicine service catered to its leased owner-operator members, too. While these services shouldn't be used for your overall health care, it's nice to know you can get a quick consultation without having to shut down somewhere accessible to a doctor's office.

HSA LEVELS FOR 2018

	Individual	Family
Maximum contribution	$3,450	$6,900
Catch-up for 55+ years	$1,000	$1,000
Minimum deductible	$1,350	$2,700

Finding a pharmacy may be another hurdle, but at least you could arrange for medications at a convenient exit.

Keep up with tax-deductible expenses. Many medical-related items are tax-deductible, including doctor and dentist fees, false teeth, prescription eyeglasses, laser eye surgery, hearing aids and crutches. Such expenditures are deductible only in excess of 7.5 percent of the taxpayer's adjusted gross income (the new tax law boosts to floor to 10 percent in 2019). Unless you have a lot of expenses, it is difficult to gain a real advantage in medical expense deductions, and it will get more difficult in 2019. And don't create headaches for your tax preparer by mixing in receipts for drugs or medical services for which you've already been reimbursed through your insurer. Check with your tax preparer for details, or visit www.irs.gov/taxtopics and go to topic 502 for more details.

TIPS FOR THE LONG HAUL

As an experienced owner-operator knows about his truck, preventive maintenance works. The more you keep your body in shape, too, the less downtime you'll experience, and the less you'll spend getting yourself fixed.

These best practices will, over time, help prevent you from spinning your wheels in the doctor's waiting room instead of keeping them turning on the road.

Get regular exercise. You can

do some things in your cab, such as sit-ups, jumping jacks and stretches. Walk — or jog, if you can — around the truck stop lot. Whatever level you're capable of, try to exercise four or five times a week.

Eat healthy. Stay away from the fast food and grease common in truck stop diners and on fast-food menus. While an occasional moderate indulgence is OK, try to mix in more low-fat meals – heavy on salads, vegetables and fruits. Most truck stops now offer such choices.

Drink more water. Too many people reach for a Mountain Dew when they become dehydrated. But soft drinks, as well as beer and other alcoholic beverages, can dehydrate you further. Instead, reach for a large glass of water.

Shun tobacco products. They're life-threatening. The sooner you quit, the better.

Don't be a substance abuser. Trucking is a hard job, but if you're relying on heavy drinking to "unwind," you're kidding yourself. The same goes for using illegal drugs or abusing prescription medication.

Get an annual physical. It's critical for drivers to be checked out at least annually. Your U.S. Department of Transportation-mandated physical is not the equivalent of an annual physical from a doctor. You should be screened for sleep apnea; eye disease; colorectal, prostate or skin cancers; excess cholesterol; and high blood pressure.

Ensure your records are accessible. If you get sick on the road, call your family physician or dentist to have medical files and X-rays forwarded to an on-the-road clinic. Several companies offer services that store your medical information on USB jump drives or scrolls that can be carried on a keychain.

MedicAlert and American Medical ID offer medical jewelry to be worn as a necklace or bracelet for those with severe conditions, such as an allergy to penicillin.

Follow doctor's orders. Whether it relates to special diet, daily exercise, sleep or medication, it's critical to stick with a prescribed regimen.

Avoid paying by credit card. Unless you're paying off your entire balance every month and know that you can do the same with additional medical costs, stay away from credit. If your account charges 18 to 20 percent, even a $2,000 bill that takes months to pay could cost hundreds of dollars more before you're done. Pay in cash, use savings, or set up a payment plan with the provider's office.

Don't forget your teeth. Brush and floss regularly. Lay off artificial sweeteners and sodas. Small dental problems can grow into major health problems in time.

Know your body's limits. Don't hurt yourself with a pulled muscle, joint or other injury by lifting or reaching for an item that is out of your range. This rule applies not only to securing a flatbed load or wrestling cargo out of your van, but also to home projects such as climbing ladders.

Know your medical history. If one side of the family has heart problems, pay careful attention to the way you treat your heart. Also attend to family histories of high blood pressure, diabetes, cancer, allergies, etc.

INCOME REPLACEMENT INSURANCE

The probability of an income-interrupting event is more likely than you might think. Three out of every 10 Americans between ages 35 and 65 will become disabled for more than 90 days at some point in their lives, according to the American Council of Life Insurers. One in seven will become disabled for more than five years.

An owner-operator working without adequate income replacement coverage who experiences an on-the-job injury can be exposed to various hardships, including loss of income if unable to work. Any given plan will pay a percentage of your income with a flat rate maximum and only for a fixed period. The typical payout is 50 to 60 percent with a cap, though some may run up to 70 percent. Most policies will stay in effect as long as you stay current on your premiums, even if chronic health problems continue after your initial claim.

Occupational accident and disability policies, and in certain circumstances Social Security disability, are the most common income replacements available to owner-operators.

Occupational accident. Usually the most inexpensive cov-

QUALIFYING FOR DISABILITY

Shop for a disability policy on the individual market, and you'll usually have to qualify. Factors such as age and overall health will determine how much you pay. You may be required to pass a basic physical to determine any existing or potential physical problem. The better shape you are in, the lower the premium. Buying into a group policy, such as those administered through membership organizations like OOIDA and NAIT, may offer less-stringent requirements and lower premiums. It is likely that you will have to declare pre-existing conditions, which could mean no coverage for the first year.

SOCIAL SECURITY. If you become unable to work for more than 12 months, Social Security Disability Insurance may be an option. SSDI is not based on income; a person can qualify for SSDI if he or she is younger than 65 and meets these criteria:

- A physical or mental condition prevents the individual from engaging in any "substantial gainful activity."
- The condition is expected to last at least 12 months or result in death.
- The person has accumulated 20 Social Security credits (credits are based on your earnings with a cap of four credits per year) in the past 10 years prior to the onset of disability (normally four credits per full or partial year); one additional credit is required for every year by which the worker's age exceeds 42.

This is not an easy option to pursue: The filing process takes about four months, and the Social Security Administration denies about 60 percent of the initial claims. If you are approved, you have to wait five months for the first check.

OTHER RESOURCES. Don't spend so much money on income-replacement insurance that you starve your emergency or retirement fund. Remember, you'll need that retirement money whatever happens, whereas you may never need the income-replacement benefits. If you have plenty of savings and are at a late stage in your career and maybe already beginning to cut back on your workload, you may not need income-replacement insurance at all.

Since six months of living expenses is relatively easy for a disciplined saver to sock away into a savings, checking, money market or some other account, long-term disability policies may be better investments than short-term ones.

erage for owner-operators is an occ/acc policy. It provides benefits to the policyholder in the case of a work-related injury or illness, unlike a traditional accident policy that pays out even if the accident is not work-related.

Benefits are not based on income, but rather a menu that outlines the payment amounts for minor to major job-related injuries or illnesses. Some carry options or riders depending on what the policyholder wants.

Many fleets require leased owner-operators to obtain either workers' compensation or occ/acc coverage. For this reason, many owner-operators don't view occ/acc as *elective* coverage. One thing that makes occ/acc the top choice is that it's usually cheaper than workers' comp. Also, in most states, workers' comp won't pay out to self-employed workers. This makes occ/acc an easy choice if your state's workers' comp regulations have an opt-out provision.

Disability. Disability insurance is offered with short-term and long-term plans that normally cover accident and illness whether they are job-related or not.

Short-term disability typically will provide benefits for up to 26 weeks based on a percentage of income, with a fixed cap. Long-term policies take over where short-term policies leave off and usually pay benefits for two to five years, but can continue up to age 65 when Social Security and personal retirement savings normally begin.

When it comes to the definition of disability, there are two distinct types: *own* occupation or *any* occupation.

The former means the disabling event occurred while on the job you had — in your case, driving a truck — and that it left you unable to perform your former job.

Any occupation disability means that if you are able to perform another job, you are not disabled. Your normal income is not taken into consideration. If you can be trained to work at another job — even at minimum wage — you probably won't be able to collect benefits. Some policies that claim to be own-occupation have qualifiers that make them any-occupation, so pay attention to the fine print.

True own-occupation disability has become harder to find. It's generally expensive, especially for occupations such as trucking that are deemed high-risk.

CHAPTER 18

GOING INDEPENDENT

GETTING YOUR OWN CARRIER AUTHORITY COMES WITH RISKS AND REWARDS

Two upsides to getting your own carrier authority are the potential to make more money than a leased operator and the almost complete freedom associated with how you run the business. This sounds wonderful, but with freedom comes risk and responsibility.

Many owner-operators decline to pursue getting their authority because they realize they are unprepared for that level of responsibility. Or in some cases, industry conditions are not favorable. While many things have changed over the years, preparation still is far more important than shifts in the economy.

The preparation starts with deciding where you'll get your

Overdrive's PARTNERS IN BUSINESS

freight, since that no longer will be a matter of calling dispatch. You'll have to locate your own customers or work through load boards and brokers.

FINDING YOUR OWN CUSTOMERS. Soliciting freight from shippers can be a daunting task for an individual, but it results in the highest freight rate. There is no middleman to take a cut. There are several ways to find small local shippers. You can use business directories online or attend local business functions such as chamber of commerce events. One easy way is to drive around industrial parks and take notes.

List 25 to 50 potential customers, then schedule two weeks off the road to contact the shipping managers unless you have a spouse or other partner who can handle this. Be ready to hear *no* many times. If you generate just one customer, consider it a success.

As a one-man show, you may find this task awfully time-consuming and difficult. If you've never worked in sales, prepare yourself. There are hundreds of great audiobooks on sales and negotiation. Listen to some while working on your plan.

In any bid to secure a contract with a shipper, make sure you can answer this question: *Why you?* Why should any particular shipper entrust its freight to you? Setting yourself apart from the crowd, however you do it, will help you find customers starting out that can last throughout your career. Some ways to build a customer base include having special equipment, running a part of the country that many others don't like to go, or finding your way into a niche market such as hauling cattle or cars. Having a specialized trailer that makes you unique in your area can set you apart from other carriers.

Auto hauling is one of the more difficult trucking segments to enter and master, but it also can be one of the most financially rewarding. It's expensive to get into hauling cars — a new nine- or 10-car trailer can cost upwards of $90,000 — and typically, a certain amount of trucking experience is needed before hauling such high-value items.

Event hauling is another niche that can be lucrative if you can get a foot in the door. The challenge to hauling for concerts and other events is you follow a certain artist's tour, so you can be on the road without going home for months at a time.

Find more on a variety of niche hhauls at OverdriveOnline.com/tag/niche-hauls.

GETTING HELP. If personal solicitation sounds too overwhelming, consider other options:

- Hire a freight broker to work as your direct sales agent.
- Find a business partner with experience in freight sales. If you choose to follow this path, you may need your broker authority or other drivers employed under you in order to move enough freight to support both partners.

If you decide not to acquire your own customers, you'll need a plan for working with brokers or using load boards. Don't make the mistake of looking randomly for freight every time you need to load. In the beginning, focus on good back-and-forth lanes or areas with one point being your home – or use a triangular strategy to find the best rates. Consider fuel prices in all of those lanes, weather, traffic, road conditions and, of course, freight rates and availability.

Research load boards daily to see what is available in your preferred areas. You'll get an idea of types of freight, average rates and which brokers have the freight.

Once satisfied with an area or lanes, contact brokers who control freight there and explain what you have to offer. Your goal is to create a strong working relationship and provide outstanding customer service.

Always be sure to double-check mileage quoted from a broker or load board. Sometimes the mileage you see is from city-to-city rather than address-to-address. Additionally, watch out for double-brokered and co-brokered loads, which add more middlemen to the equation.

Once your business model is established, you'll be ready

HOW TO FILE FOR YOUR AUTHORITY

After establishing your business entity (see Chapter 9 for more about the choices of business type), follow these filing steps to obtain your authority. Federal filing information and forms are available via FMCSA.DOT.gov.

Get USDOT number. Traditionally, there has been no fee to register for your U.S. Department of Transportation number. As of Sept. 30, 2016, when MC numbers were phased out as part of FMCSA's new Unified Registration System, the $300 filing fee previously associated with MC numbers transferred to the DOT number. For this filing, FMCSA's online system will guide you through the process. For those filing paper, use the MCS-150 form.

Get insurance. Pricing primary liability insurance can be done at any point. After filing your business type with your state, a general rule of thumb is to get quotes from different insurance companies to assess affordability. (See Chapter 16.)

Owner-operators who've made the move relatively recently toward their own authority report wildly varying quotes – from $8,000 to $20,000 annually. Regardless of your driving record, as a new business you're viewed as risky, and you'll pay accordingly. Operators have reported primary liability rates falling to between $5,000 and $7,000 annually as their businesses became established. Once insurance is secured, have the agent file the appropriate BMC-91 form with FMCSA as proof of insurance.

Designate process agent. The process agent you select will be the entity upon whom court papers may be served in any proceeding against your business. Use FMCSA's form BOC-3 to designate your process agent. Make certain the process agent is authorized to cover you in every state in which you operate. OOIDA functions as the process agent for many of its members; some factoring companies also offer this service. Process agents may charge a startup fee and cost around $100 annually. FMCSA maintains a list of process agents, organized by the state where they're based, on the Registration and Licensing portion of its website.

Complete UCR. Complete your Unified Carrier Registration via the central hub at UCR.in.gov. The fee is $76 annually for carriers with one or two trucks, rising from there for more power units.

Do truck signage. Federal regulations require any truck to have the following on both sides in a highly contrasting color: 1) The legal name of the motor carrier operating the truck as listed on form MCS-150. 2) The DOT number issued by FMCSA, preceded by the letters "USDOT."

If you want to include your name or any other name that differs from the exact business name, the words "operated by" must precede the legal name and identifying DOT number.

OTHER NEEDED FILINGS

Heavy Highway Vehicle Use Tax (Form 2290) and International Registration Plan (IRP). If you are obtaining plates in your base state, you'll need proof of payment of the annual federal HHVUT, which varies according to weight under load.

State fuel taxes. See Chapter 5 for more on the IFTA program.

State use taxes. Oregon, Kentucky, New Mexico and New York also levy separate use taxes you'll need to track. Oregon requires monthly in-state mileage reporting, Kentucky and New Mexico quarterly. All three levy so-called "weight-distance" taxes. New York's is similar but with more complicated calculation.

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to jump through the administrative and regulatory hoops for going independent.

The financial and technical preparations for going independent are not easy.

MANAGING CASH FLOW. It's not unusual for a carrier to wait 30, 60 or even 90 days to get paid in traditional pay structures. Work in a broker with bad credit and you might never get paid. An initial cash flow lull can make it extremely difficult to launch your business.

- **Cash and credit:** Your ultimate goal should be to have enough cash in reserve to operate without borrowing. This may take months to accrue. If you don't have that kind of money, consider a revolving line of credit with your bank. You also can use a home equity line of credit, but understand that if you've borrowed too much and your business goes belly-up, you could lose your home.
- **Broker quick-pay:** If you plan to use brokers, ask about a fast-pay option that, for a fee, guarantees your money in a certain number of days.
- **Factoring loads:** The ability to control cash flow will make or break a trucking business. Using factoring companies such as TBS to handle your receivables gives quick access to cash to fund day-to-day operations. (See Chapter 7.)

GETTING INSURANCE. A carrier by law must have liability insurance. Most freight

DO-OR-DIE PREPARATIONS FOR THE NEW ENTRANT AUDIT

After filing for authority successfully, you are responsible for buttoning up your business. Recent FMCSA stats show more than 80 percent of new entrant audits have been conducted on time, within the carrier's first 18 months of business. It's critical you put into place evidence of your attention to compliance and safety management. Critical areas of focus for new entrant audits include driver qualifications, logs, maintenance programs, a filed and up-to-date accident register and written drug and alcohol policies and procedures.

Any of the following violations will result in an automatic failure of the audit:

- Failing to implement an alcohol and/or controlled substances testing program.
- Failing to implement a random controlled substance testing program.
- Driving or using a driver with an alcohol content of 0.04 or greater.
- Using a driver who has refused to submit to an alcohol or controlled-substances test.
- Using a driver known to have tested positive for a controlled substance.
- Driving or using a driver without a CDL.
- Driving or using a driver with a suspended, revoked or canceled license or a federal disqualification.
- Allowing a disqualified driver to drive.
- Not carrying appropriate insurance, including minimum cargo ($5,000 per vehicle and $10,000 per occurrence) and $750,000 primary liability.
- Knowingly using a physically unqualified driver.
- Failing to require a driver to keep record of duty status current.
- Running a vehicle declared out of service before repairs are made.
- Failing to correct out-of-service defects listed on vehicle inspection reports before further operation.
- Running a truck not inspected periodically.

partners will require cargo insurance. A $1 million liability policy and a $100,000 cargo policy is recommended. (See Chapter 16.) Obtain insurance within the first two weeks of the DOT number being filed to avoid delays in authority processing or having it dismissed.

PLAN COMPLIANCE DUTIES BEFORE GOING INDEPENDENT

One major mistake many owner-operators make when considering the move to run under their own authority is to underestimate the total cost of operations. It's easy to look at a load board and dream about getting those rates posted and not sharing them with any carrier. It's another matter entirely to end up making less than you do now because of all of the additional costs.

Consider these areas and decide if you are going to handle them yourself or pay somebody else:

- Rates and lanes
- Compliance
- Safety
- Drug testing
- Hours of service
- Accounting
- Fuel tax
- Mileage tax

Compliance, safety, drug testing and hours of service fall under FMCSA regulations. Addressing these can cause a lot of stress and confusion. Also under FMCSA is the new entrant safety audit. New entrants to trucking face a shortened deadline for correcting problems in their applications.

Applicants must submit a corrective action plan within 15 days of the audit or, in some cases, 10 days.

Have in place a drug and alcohol testing program, as well as one for keeping hours of service and vehicle maintenance records.

A carrier often handles tax filings for its leased owner-operators, but now you are the carrier. You are responsible for accounting for income and revenue for federal and state tax purposes, fuel tax, mileage tax and heavy vehicle use tax.

Also, it's possible that you would be better off forming a limited liability company (LLC) or an S Corp for tax reasons before getting your own operating authority. Explore the question of tax structure with your business services provider or accountant before starting the application process.

When you are operating as a carrier, you won't always receive 1099s for the revenue you generate. You'll need an

SMALL FLEET EXPANSION

The long-term goal of many independent owner-operators with their own authority is to expand beyond one truck. Often, the prime focus is to raise capital to invest in additional trucks, but some veterans have discovered that such an approach could be faulty in that it puts the equipment before the most important part of the equation — the driver.

For a small fleet operator who still drives, finding a self-starter with a passion for trucking is key. Absent employed dispatch and in-house maintenance personnel, and given the time constraint placed on a small fleet operator who still drives, the employed driver will need to be able to manage his time, loads and truck maintenance. These considerations could be the lynchpins in long-term profitability.

In 2016 polling of *Overdrive* readers, the largest share of respondents (43 percent) reported belief that the driver was the most important part of the expansion equation.

Three principle areas of focus can help an owner-operator expand into a multi-truck business:

Pay. The average income for company drivers is between $40,000 and $60,000, depending on which statistics you're studying. By finding a solid customer base and having good relationships with brokers, you can keep rates higher than average. Offering safety bonuses and other performance-based pay boosts can help attract drivers to your operation — and keep them there.

Incentives such as vacation and holiday pay also can help keep drivers around. Increasingly guaranteed minimums for compensation to backstop miles or percentage pay are common. *Overdrive* research found in 2018 that 20 percent of small-fleet readers have such a guarantee in place, often structured as a certain amount per week the driver is available to work ($1,000 weekly is common).

Equipment. The opportunity to operate top-shelf equipment encourages longevity with your company. Give drivers with tenured seniority the first choice when it comes time to buy new equipment.

Home time. It's a common small-fleet practice to hire out of the area in which the company is headquartered. Many operate on an out-and-back model that gets drivers home for the weekend, if not even more frequently. A system like this also can help you get equipment back in one place for routine maintenance. Drivers' needs should take precedence over equipment decisions.

HIRING QUALIFIED DRIVERS

Overdrive research has found that small fleets have had success in advertising on their own equipment — giving would-be drivers an idea of the equipment they can expect before they ever make a phone call.

Leveraging social media, such as Facebook and Twitter, to reach out to trucking friends is another option.

Some things small fleets have tried with some success include:

- **Putting company contact information on the back of a trailer.** This can put the idea in another driver's head to reach out and inquire about your company.
- **Avoiding restrictive qualifications.** If you're having trouble finding a pool of drivers, and if you have a certain requirement, such as a hazmat endorsement or the ability to drive into Canada, consider rethinking that as a requirement . That may not be an option for your business, but if it is, it can expand the pool of candidates.
- **Ramping up social media and other online efforts.** If you haven't already, create a Facebook page and a website for your company, and begin to advertise with both. Interacting on social media may require more of a weeding-out process than you want, but it can garner a lot of attention. Drivers can message you from your company's page, which can begin a conversation.

accounting system that tracks all income and expenses.

Other crucial preparations include developing a system for invoicing, accounts receivable and tracking fuel and mileage taxes. The latter two require filing the appropriate forms. You or a third-party specialist in this area will need to track all miles and gallons of fuel purchased in each state in order to file your IFTA forms. You also may need to file mileage tax forms in New York, Kentucky, New Mexico and Oregon if you travel in those states in any given quarter.

This may sound like a lot of work, and it is. Don't make this decision lightly. It can be a great opportunity if done right, but it can be your worst nightmare if you fail to plan and execute properly. If your goal is go independent, create your plan, figure out the costs, create your budget, and follow through.

SAVING FOR YOURSELF

THE HABIT OF SAVING FOR PERSONAL GOALS WILL PAY BIG DIVIDENDS LATER

As your business gets established and you can predict decent earnings on a regular basis, establish long-term personal savings plans and work a weekly or monthly savings contribution, however modest, into your budget. Retirement saving is critical for you as an owner-operator because you're self-employed. Saving for children's education, vacations or other personal goals also is important.

PLANNING FOR RETIREMENT

If you maintain your current spending and savings habits, will you have enough money to retire comfortably? A U.S. Department of Labor study found that Social Security will replace only about 40 percent of pre-retirement income for the average American. Yet experts say that after you retire, you'll need about 70 percent of the income you earned before retirement to maintain your lifestyle.

At 70 percent, a trucker who earns $60,000 annually will need about $42,000 a year after he retires. When that figure is multiplied by 20 years — the average post-retirement longevity — that trucker will need about $840,000 to live comfortably. That entire amount doesn't have to be saved in advance. Some of it would be income from investments during retirement.

Although it's never too late to start saving for retirement, the sooner you begin, the better, even if it's only $25 a week. The biggest reason is that invested money compounds. The earlier you invest, the more time your money has to grow.

If a 25-year-old puts $400 into a retirement fund every month until he reaches age 65, and his money grows 10 percent a year, he will retire with almost $2.5 million. If a 35-year-old invests the same amount each month and

RETIREMENT AND OTHER SAVINGS

The basic principles of retirement savings also apply to any other savings you do. The major differences involve taxes.

Your accountant or financial adviser can explain the options for savings for children's education. Some of them, like qualified retirement plans, are tax-exempt. There are no tax advantages for shorter-term personal savings, such as for a vacation, a holiday fund or your next vehicle.

Nevertheless, it's wise to anticipate such spending and save for it. You'll spend less for those things by paying cash (and gaining a small accumulation of short-term interest or dividends) than you will by putting them on a credit card or by taking a consumer loan and paying double-digit interest.

LEARN TO TAKE STOCK OF THE MARKET. Think of your stock investments as a loaded trailer: The more evenly distributed the weight, the more stable the ride. When you spread your money among multiple investments, at least one of those investments is almost sure to grow. When it does, experts say, resist the temptation to move all your money into that growth investment. Instead, redistribute the gains so that your portfolio never becomes too top-heavy in any one particular area.

Certain mutual funds constantly do this sort of reallocation. But most individual investors don't, which is why many investors earn less than the stock market's historical average of 10 percent (or 7 percent, adjusted for inflation).

Too many investors are motivated to buy and sell by market trends. When stock prices double, that expensive stock is the one that novices want to buy. And when the market has a sudden drop, novices are more likely to dump those same stocks at rock-bottom prices, only to see them rebound in a couple of months.

ESTIMATE INCOME. Projecting your retirement income can be complicated. You should expect some interest and dividends from investments. Social Security and perhaps other sources, like a part-time job or a pension from a prior employer, need to be considered.

HELP IS OUT THERE. Basic financial advice also can be found online for free. Owner-operators who already have accountants or business services providers should enlist them in their retirement planning. Those serious about saving also may want to hire a financial adviser to handle their retirement portfolios. Some advisers work on a flat yearly fee. Others charge a commission based on investment transactions. Ask prospective advisers if they have passed the Series 7 exam administered by the National Association of Securities Dealers. Also ask to see their official bio — a detailed resume that includes information mandated by the U.S. Securities and Exchange Commission, including education and any skirmishes with the SEC.

HOW MUCH SAVING IS ENOUGH? To get an idea of your "magic number" for a retirement saving goal, begin by calculating your current annual nonbusiness spending, such as housing, food, personal vehicles and entertainment. Keep in mind that in retirement, you ideally will spend less on some things (such as mortgages) and more on others (such as travel). Then assume a 4 percent inflation rate every year.

Now do the really scary thing and calculate your life expectancy. Various online calculators will ask for your age, sex, height, weight, blood pressure and cholesterol level, as well as your family history and other variables. Don't be surprised if you're looking at 20-plus years of retirement.

earns 10 percent, he will have a little more than $900,000 at age 65.

It's hard to save on a regular basis. Yet average owner-operator clients of ATBS earn about $60,000 a year. At that level, the main difficulty is more about controlling spending.

Many owner-operators who don't save say they're investing their money in their business, with plans to sell it and retire on the proceeds. Financial advisers frown on such an eggs-in-one-basket approach. If your trucking business faces financial difficulties, then your retirement savings can be decreased substantially – or even wiped out. Think of your trucking business as only part of your portfolio – and a high-risk part at that.

QUALIFIED RETIREMENT PLANS

When you make investments that are not part of a retirement program, you'll pay taxes on earnings, such as interest from a savings account or profit from a stock sale. With qualified retirement accounts, you don't pay a penny in taxes on the earnings until you retire and begin withdrawing money. Not only are taxes delayed for many years, but by then you should be in a lower tax bracket, so you'll pay less in taxes.

In addition, most retirement plans allow you to deduct contributions from your reported income. That means if you make $40,000 and contribute $2,000 to a qualified plan, you report only $38,000 on your income tax return.

The most popular qualified plans for owner-operators are Individual Retirement Accounts. Contributions can be put into certificates of deposit, money-market accounts, savings accounts, mutual funds, stocks, bonds and U.S. Treasury securities. A banker, stockbroker or mutual fund company can help you set up an IRA.

TRADITIONAL IRA. You are allowed to contribute $5,500 a year, tax-deferred, to an IRA, through tax year 2018 with a catch-up contribution limit of $1,000 for individuals age 50 and older. As long as you're not covered by an employer-sponsored retirement plan, all contributions to an IRA reduce your taxable income and are tax-deferred. If you or your spouse contributes to an employer-sponsored plan such as a 401(k), only a portion of your contribution to an IRA is deductible. Your IRA funds cannot be withdrawn before you reach age 59.5 — except under special circumstances — without incurring a hefty penalty.

ROTH IRA. The differences between a traditional IRA and a Roth IRA are the terms of contributions and payout. With a Roth IRA, contributions are not deducted from income, so they are taxable for the year they're earned. But they do accumulate tax-deferred, and are tax-free when withdrawn.

SIMPLE IRA. The SIMPLE (Savings Incentive Match Plan for Employees) IRA was designed for companies with fewer than 100 employees. If you employ others, you and your employees qualify. Under a SIMPLE IRA arrangement, an employee of your business can contribute to and be matched by you up to $12,500 in 2018, with a $3,000 catch-up contribution limit for those 50 and older.

SEP IRA. A Simplified Employee Pension plan allows an employer to contribute up to 25 percent of net income (up to $55,000 total) to an IRA set up for himself or his or her employees. After money is put into the plan, it must stay there until the owner turns 59.5. Early withdrawals are subject to federal income taxes and a possible 10 percent penalty.

INDIVIDUAL 401(k). For years, 401(k) retirement plans, another form of tax-deferred savings, were limited to employees, often with an employer match as a savings incentive. Since 2001, however, individuals have been free to set up solo 401(k)s, which have an annual contribution limit of up to 25 percent of income or $18,500, whichever is lower, in 2018, as long as you are classified as an employee of your own business (such as in an S Corp structure) and are paying yourself a salary. If you're self-employed, the rules are more complicated. See IRS publication 560's rate table and worksheets for determining your contribution limits.

ROTH 401(k). A newer retirement plan option is a combination of the Roth IRA and the solo 401(k) called the Roth 401(k): Money you put into it is taxed in the year you earned it, but never again. Many financial advisers believe a Roth 401(k) is by far the best deal for an owner-operator.

Assuming that taxes will go up in the long term is the safest of bets, so paying now locks in the lower rate. The more taxes you can pay while you're younger, the better.

TAKE SOCIAL SECURITY EARLY OR LATE?

You have a choice whether to begin receiving Social Security benefits early (age 62), at full retirement age (at 66 if you were born between 1943 and 1959, at 67 if 1960 and later), or later.

Say you're 62, with a working income of about $51,000 averaged over enough years to qualify; you would be eligible for $1,050 a month now or $1,393 a month at age 66. If you start now, you'll have collected $50,400 by age 66. If you start at 66, you'll need to live through age 78 and a half to make up for those missed benefits; beyond that, the higher payments would be to your advantage.

You also have the option to take Social Security after age 67 to receive a higher monthly percentage until age 70. At 67, you'll get 108 percent of your monthly benefit; at 68, 116 percent; at 69, 124 percent; and at 70, 132 percent. The increases stop after age 70 even if you continue to delay taking benefits.

APPENDIX 1
VEHICLE REGISTRATION

Overdrive's PARTNERS IN BUSINESS

Alabama, revenue.alabama.gov/motorvehicle, (334) 242-1170
Alaska, doa.alaska.gov/dmv, (855) 269-5551
Arizona, azdot.gov/mvd, (602) 255-0072
Arkansas, dfa.arkansas.gov/offices/motorvehicle, (501) 682-4692
California, dmv.ca.gov/portal/dmv/dmv/vr, (800) 777-0133
Colorado, colorado.gov/renewplates, (303) 205-5600
Connecticut, ct.gov/dmv, (860) 263-5700
Delaware, dmv.de.gov, (302) 326-5000
Florida, flhsmv.gov, (850) 617-2000
Georgia, dor.georgia.gov/vehicle-registration, (855) 406-5221
Hawaii, mvr.ehawaii.gov, (808) 532-7700
Idaho, itd.idaho.gov/dmv, (208) 334-8611
Illinois, cyberdriveillinois.com, (800) 252-8980
Indiana, in.gov/bmv, (888) 692-6841
Iowa, iowadot.gov/mvd, (515) 237-3110
Kansas, ksrevenue.org/vehicle.html, (785) 295-6541
Kentucky, transportation.ky.gov/motor-vehicle-licensing, (502) 564-1257
Louisiana, dps.expresslane.org/vehicleregistration, (225) 925-6146
Maine, maine.gov/sos/bmv/registration/, (207) 624-9000 ext. 52149
Maryland, mva.maryland.gov/vehicles/registration, (410) 768-7000
Massachusetts, massrmv.com, (857) 368-8000
Michigan, michigan.gov/sos, (888) 767-6424
Minnesota, dps.mn.gov/divisions/dvs, (651) 297-2126
Mississippi, dor.ms.gov, (601) 923-7000
Missouri, dor.mo.gov/motorv, (573) 526-3669
Montana, dojmt.gov/driving/vehicle-title-and-registration, (406) 444-3933
Nebraska, dmv.ne.gov/mcs, (402) 471-4435
Nevada, dmvnv.com/mchome.html, (775) 684-4786
New Hampshire, nh.gov/safety/divisions/dmv, (603) 227-4000
New Jersey, www.state.nj.us/mvc/Vehicle/Registration.htm, (609) 292-6500
New Mexico, mvd.newmexico.gov, (888) 683-4636
New York, dmv.ny.gov, (518) 457-6503
North Carolina, ncdot.gov/dmv/vehicle, (919) 715-7000
North Dakota, dot.nd.gov, (701) 328-2500
Ohio, bmv.ohio.gov, (614) 752-7500
Oklahoma, ok.gov/tax/Individuals/Motor_Vehicle, (405) 521-3160
Oregon, oregon.gov/odot/dmv, (503) 378-6699
Pennsylvania, dmv.state.pa.us, (800) 932-4600
Rhode Island, www.dmv.ri.gov/registrations/, (401) 462-4368
South Carolina, scdmvonline.com, (803) 896-5000
South Dakota, dor.sd.gov/motor_vehicles, (605) 773-3541
Tennessee, tn.gov/revenue/topic/vehicle-registration, (615) 253-0600
Texas, txdmv.gov/motor-carriers, (888) 368-4689
Utah, dmv.utah.gov/register, (801) 297-7780
Vermont, dmv.vermont.gov/registrations, (802) 828-2000
Virginia, dmv.virginia.gov/vehicles, (804) 497-7100
Washington, dol.wa.gov/vehicleregistration, (360) 664-1222
West Virginia, transportation.wv.gov/dmv, (304) 558-3900
Wisconsin, wisconsindot.gov, (608) 266-9900
Wyoming, dot.state.wy.us, (307) 777-4825

APPENDIX 2
RESOURCES

U.S. GOVERNMENT

Federal Motor Carrier Safety Administration
(800) 832-5660
www.fmcsa.dot.gov

Internal Revenue Service
(800) 829-1040 or
(800) 829-4933
www.irs.gov

Small Business Administration
(800) 827-5722
www.sba.gov

Social Security Administration
(800) 772-1213
www.ssa.gov

BUSINESS

ATBS
(888) 640-4829
www.atbs.com

Consumer Credit Counseling Service
(800) 873-2227
www.credit.org/cccs/

Financial Planning Association
(800) 322-4237
www.fpanet.org

Free Credit Report
(877) 322-8228
www.annualcreditreport.com

Institute of Consumer Financial Education
(619) 239-1401
www.icfe.info

National Association of Enrolled [tax] Agents
(202) 822-6232
www.naea.org

National Association of Personal Finance Advisors
(800) 366-2732 or
(847) 483-5400
www.napfa.org

National Association for the Self-Employed
(800) 232-6273
www.nase.org

FUEL PRICES

Love's
www.loves.com/en/location-and-fuel-price-search
Pilot Flying J
www.pilotflyingj.com/fuel-prices
TA Petro
www.ta-petro.com/location
Trucker Tools
www.truckertools.com
Truck Master Fuel Finder
http://www.findfuelstops.com/

LOADS

DAT Load Board
www.dat.com
Truckstop.com
www.truckstop.com

NATIONAL TRUCKING ASSOCIATIONS

American Trucking Associations
(703) 838-1700
www.trucking.org
Commercial Vehicle Safety Alliance
(202) 775-1623
www.cvsa.org
National Association of Independent Truckers
(800) 821-8014 or
(816) 891-7997
www.naitusa.com
National Association of Small Trucking Companies
(800) 264-8580
www.nastc.com
Owner-Operator Independent Drivers Association (800) 444-5791 or
(816) 229-5791 www.ooida.com
Technology & Maintenance Council of ATA
(703) 838-1763
www.trucking.org/Technology_Council.aspx
Transportation Intermediaries Association
(703) 299-5700
www.tianet.org
Truckload Carriers Association (703) 838-1950
www.truckload.org

STATE TRUCKING ASSOCIATIONS

Alabama Trucking Association
(877) 277-8785
www.alabamatrucking.org
Alaska Trucking Association
(907) 276-1149
www.aktrucks.org
Arizona Trucking Association
(602) 252-7559
www.arizonatrucking.com
Arkansas Trucking Association
(501) 372-3462
www.arkansastrucking.com
California Trucking Association
(916) 373-3500
www.caltrux.org
Colorado Motor Carriers Association
(303) 433-3375
www.cmca.com
Motor Transport Association of Connecticut
(860) 520-4455
www.mtac.us
Delaware Motor Transport Association
(302) 672-7763
www.delawaretrucking.org
Florida Trucking Association (850) 222-9900
www.fltrucking.org
Georgia Motor Trucking Association
(770) 444-9771
www.gmta.org
Hawaii Transportation Association
(808) 833-6628
www.htahawaii.org
Idaho Trucking Association
(208) 342-3521
www.idtrucking.org
Illinois Trucking Association
(630) 654-0884
www.iltrucking.org
Indiana Motor Truck Association (317) 630-4682
www.intrucking.org
Iowa Motor Truck Association
(515) 244-5193
www.iowamotortruck.com
Kansas Motor Carriers Association
(785) 267-1641
www.kmca.org
Kentucky Motor Transport Association (502) 227-0848
www.kmta.net
Louisiana Motor Transport Association
(225) 928-5682
www.louisianatrucking.com
Maine Motor Transport Association
(207) 623-4128
www.mmta.com
Maryland Motor Truck Association
(410) 644-4600
www.mmtanet.com
Massachusetts Motor Transportation Association
(617) 695-3512
www.mass-trucking.org
Michigan Trucking Association (517) 321-1951
www.mitrucking.org
Minnesota Trucking Association
(651) 646-7351
www.mntruck.org
Mississippi Trucking Association
(601) 354-0616
www.mstrucking.org
Missouri Motor Carriers Association
(573) 634-3388
www.motrucking.org
Montana Motor Carriers Association
(406) 442-6600
www.mttrucking.org
Nebraska Trucking Association
(402) 476-8504
www.nebtrucking.com
Nevada Motor Transport Association
(775) 673-6111
www.nevadatrucking.com
New Hampshire Motor Transport Association
(603) 224-7337
www.nhmta.org
New Jersey Motor Truck Association (732) 254-5000
www.njmta.org
New Mexico Trucking Association
(505) 884-5575
www.nmtrucking.org
New York State Motor Truck Association
(518) 458-9696
www.nytrucks.org
North Carolina Trucking Association
(919) 834-0387
www.nctrucking.com
North Dakota Motor Carriers Association
(701) 223-2700
www.ndmca.org
Ohio Trucking Association
(614) 221-5375
www.ohiotrucking.org
Oklahoma Trucking Association
(405) 843-9488
www.oktrucking.org
Oregon Trucking Associations
(503) 513-0005 or
(888) 293-0005
www.ortrucking.org
Pennsylvania Motor Truck Association
(717) 761-7122
www.pmta.org
Rhode Island Trucking Association
(401) 729-5210
www.ritrucking.org
South Carolina Trucking Association
(803) 799-4306
www.sctrucking.org
South Dakota Trucking Association
(605) 334-8871
www.southdakotatrucking.com
Tennessee Trucking Association
(615) 777-2882
www.tntrucking.org
Texas Trucking Association
(800) 727-7135 or
(800) 478-2541
www.texastrucking.com
Utah Trucking Association
(801) 973-9370
www.utahtrucking.com
Vermont Truck & Bus Association (802) 479-1778
www.vtba.org
Virginia Trucking Association
(804) 355-5371
www.vatrucking.org
Washington Trucking Associations (800) 732-9019 or
(253) 838-1650
www.wtatrucking.com
West Virginia Trucking Association
(304) 345-2800
www.wvtrucking.com
Wisconsin Motor Carriers Association
(608) 833-8200
www.witruck.org
Wyoming Trucking Association
(307) 234-1579
www.wytruck.org

APPENDIX 3
OWNER-OPERATOR GLOSSARY

Trucking industry and business terms

A

ACCOUNTS PAYABLE. Amounts owed by a business to its creditors.

ACCOUNTS RECEIVABLE. Amounts owed to a business by customers.

ADDITIVE. Solutions added to diesel fuel during cold weather to reduce waxing and gelling or in all weathers to enhance lubricity.

ADJUSTED GROSS INCOME (AGI). The income on which an individual calculates income tax. For a sole proprietorship, AGI minus deductible business expenses equals amount taxed.

ADVANCE. Money paid to an owner-operator before he hauls a load. This money typically is used to cover some of the expenses involved in the trip (e.g., fuel, tolls, lumpers, gate fees) and is subtracted from the owner-operator's next settlement.

ADVANCED DRIVER ASSISTANCE SYSTEMS (ADAS). Systems designed to aid the driver, from cruise control at their most basic to adaptive cruise, lane-departure control, active braking, platooning and more, including technologies aimed at assuming full control of the vehicle.

AERODYNAMICS. The action of air on a moving object. The more aerodynamic a truck, the more it is designed for minimal air resistance. All other factors being equal, this should translate into better fuel economy.

AGENT. A person or organization authorized to conduct business on behalf of another person or organization; also, a common carrier that appoints agents to secure freight on behalf of the carrier. In some cases, an agent also works directly with the owner-operator to match available freight with his truck. Agents typically are independent contractors, not employees of the carrier. A leased owner-operator also can be considered an agent of his carrier.

ASSET. Any type of property, personal or real, that can be sold within one year.

AUTHORITY. See OPERATING AUTHORITY.

AUTONOMOUS TRUCKS. See ADVANCED DRIVER ASSISTANCE SYSTEMS.

B

BACK SOLICITATION. A line item often in a carrier's contract with a BROKER prohibiting the carrier's direct solicitation of the broker's shipper customers for freight.

BACKHAUL. Return trip, or the freight secured for the return trip.

BALANCE SHEET. A document that lists all the assets and liabilities of a person or business.

BILL OF LADING (BOL). A written contract between a shipper and a carrier that identifies the freight, its origin and destination, its receiver and the terms of the agreement, including freight charges. Same as freight bill; not the same as manifest.

BILL OF SALE. A contract for the sale of goods.

BOBTAIL. A tractor without a trailer attached.

BOBTAIL INSURANCE. Valid insurance when a trucker has an accident while running without a trailer. Not the same as NON-TRUCKING USE INSURANCE.

BROKER. A federally regulated entity serving as a middleman between carriers and shippers, often enabled by technology. See TECH-ENABLED BROKER.

BUDGET. A document that lists income and expenses, enabling a person or business to allocate available cash among various expenses. See CASH FLOW STATEMENT.

C

"C" CORPORATION. A legal structure designed for large, complex businesses. See CORPORATION and "S" CORPORATION.

CAB CARD. A certificate of registration issued to a vehicle. A cab card reflects the base plate issued to that vehicle and the vehicle's year, make and VIN, as well as the jurisdiction and weight class that the motor carrier has apportioned in.

CAPITAL. Net worth; money available to invest in equipment that will produce more money over time.

CARGO INSURANCE. Insurance designed to cover lost or damaged freight. Carriers typically provide cargo insurance for leased operators, but owner-operators with their own operating authority must provide their own. Federal regulations set the minimum levels required.

CASH FLOW STATEMENT. A document that shows the difference between cash brought in and cash paid out during a specific period. A negative cash flow is unsustainable.

CASING. The tire structure, excepting tread and sidewall rubber.

CHARGEBACK. Items for which the carrier pays but then later charges back to the leased owner-operator, usually as a deduction from pay.

CHASSIS. The part of a vehicle that includes the frame, suspension system, wheels, steering mechanism, etc., but not the body and engine.

CLEAT. A strip of wood or metal used for additional strength, to prevent warping, or to hold something in place.

CMV. Commercial motor vehicle.

COLLATERAL. A pledge of security for borrowing money; something that a lender can seize if the borrower defaults on the loan agreement.

COMMODITY. Generally, any goods shipped; most often used to refer to general commodities, a loose term for a wide variety of unpackaged freight such as grain and ore.

COMMON CARRIER. A business that engages in for-hire transportation of goods across the entire universe of shippers; a trucking company with services available to all. For interstate operations, only the U.S. DOT can issue common carrier authority. See CONTRACT CARRIER.

CONSIGNEE. The person or firm to which freight is shipped; the receiver.

CONTAINERIZED SHIPPING. Transport of cargo containers that are transferred easily among trucks, trains and ships.

CORE. On a radiator, a tubular fin structure acting as a heat exchanger for engine cooling fluids.

CORPORATION. A business structure in which the company is separate from its owners. A corporation enjoys tax benefits and legal protections not available to other forms of business. See "C" CORPORATION and "S" CORPORATION.

COST PER DAY. Business expenses you incur daily, whether you drive or not. It is calculated by dividing your weekly fixed and variable expenses by seven.

COST PER MILE (CPM). The cost of operating a trucking business per mile traveled. CPM is calculated by dividing cost by the number of miles driven. Usually expressed in cents, it sometimes is called cents per mile.

COWL. Metal structure supporting dash and windshield.

CRANKCASE. Engine part that houses the crankshaft and other moving parts.

CRANKSHAFT. A shaft within the engine having one or more cranks for transmitting motion; the connecting rods transmit motion between the pistons and crankshaft.

CSA. The Compliance, Safety, Accountability safety ranking and enforcement program of the Federal Motor Carrier Safety Administration.

CUSTOM HOUSE. The government office where duties, tolls and import or export taxes are paid.

CYLINDER. A chamber in the engine block that contains a piston.

D

DEADHEADING. Running without cargo.

DEDICATED RUN. A run that involves hauling the same type of freight to and from the same locations on a regular schedule; also, hauling freight to and from the same shipper and receiver on a regular basis, regardless of location.

DEDUCTIBLE. Money paid out of pocket by an insured person before the insurance company pays a claim.

DEDUCTIBLE EXPENSES. Business expenses that are allowable deductions from adjusted gross income, thus reducing taxable income. Deductible business expenses are reported on IRS Schedule C.

DELIVERY RECEIPT. The record to show that goods were delivered. Drivers usually have delivery receipts signed by receivers to show that the delivery was made.

DEPARTMENT OF TRANSPORTATION (DOT). The federal agency whose responsibilities include administration of the Federal Motor Carrier Safety Administration.

DEPRECIATION. An expense allowance made on your taxes for wear and tear on an asset over its estimated useful life.

DIESEL EXHAUST FLUID (DEF). A solution of water and urea used with selective catalytic reduction to lower NOx in diesel exhaust.

DISABILITY INSURANCE. Insurance that pays a weekly benefit plus medical expenses if illness or injury prevents the insured person from working. Not the same as occupational-accident insurance.

DISPATCH. A service that schedules and coordinates freight pickup and delivery.

DOT. U.S. Department of Transportation.

DRAYAGE. The charge made for carting, draying or trucking freight, often at a port or the Mexican border.

DRIVE AXLE. An axle that transmits power to the wheels.

DRIVE LINE. Refers to the driveshaft and universal joints, etc., that connect the transmission to the differential gears on a drive axle.

DRIVER'S DUTY STATUS RECORD BOOK. Log book.

DRIVERS. (Slang) The drive wheels of a tractor.

DRIVESHAFT. A heavy-duty tube that connects the transmission to the rear-end assembly of the tractor.

DRIVETRAIN. A series of connected mechanical parts for transmitting motion. The drivetrain includes all of the parts used to supply motion, including the transmission, driveshaft, universal joints, differentials, inter-axle differential and axles.

DUTY. A tax levied by a government on imports and exports.

DYNAMOMETER (DYNO). A device used to measure the performance of the engine and drivetrain.

E

EIN. Employer Identification Number, also known as a federal tax identification number. It is used to identify a business entity for tax purposes. An EIN is required only if you are operating as a corporation or LLP or if you file your own 2290 Federal Highway Use Tax form.

ELECTRONIC CONTROL MODULE (ECM). A device that monitors engine performance and records diagnostics. Also called an electronic control unit (ECU).

ELECTRONIC LOGGING DEVICE (ELD). Current terminology for an electronic device connected to a truck's ECM, paired with a driver input device, that allows for electronic logging of duty status records and hours of service monitoring.

ELEVATOR. (Slang) A hydraulic or electrically powered end gate on a truck or trailer.

ENDORSEMENT. Special qualification required of CDL holders for hauling a specific type of commodity, such as hazardous materials, or for operating a specific type of equipment.

ESCROW. Money held in reserve. It can be money held by a carrier in the name of a leased owner-operator to protect the company in case the contractor quits while in debt to the company; to provide money for the owner-operator's use in an emergency; or to reimburse the carrier for items bought by the company on the owner-operator's behalf.

ESTIMATED TAX. Taxes paid in advance by self-employed people. The IRS requires owner-operators to guess how much tax they will owe each year based on the previous year's income or projections and to make quarterly payments based on that estimate.

ETHER. Substance used as a starting aid for diesel engines in freezing or subfreezing weather.

EXEMPT CARRIER. A carrier that hauls commodities exempt from DOT regulations.

EXEMPT COMMODITIES. Freight exempt from DOT regulations, most commonly fresh fruits and vegetables.

EXHAUST MANIFOLD. That part of the exhaust system that carries the exhaust gases from the cylinders to the exhaust pipe.

EXPANDABLE (TRAILER). Flatbed trailer that can be expanded beyond its regular length to carry larger shipments.

F

FEDERAL HIGHWAY ADMINISTRATION (FHWA). A subdivision of the U.S. DOT.

FEDERAL HIGHWAY USE TAX. One of the main sources of funds for the national highway construction program, paid by all carriers for each heavy vehicle that runs in interstate transport, including trucks and buses, and based on the size and weight of the vehicle. All independent owner-operators and most leased owner-operators are responsible for paying their own Federal Highway Use Tax, which is reported on IRS Form 2290.

FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION (FMCSA). DOT division responsible for administering and enforcing the Federal Motor Carrier Safety Regulations and hazardous materials regulations.

FEDERAL MOTOR CARRIER SAFETY REGULATIONS. The regulations that govern the operation of trucks and buses in interstate or foreign commerce by common, contract and private motor carriers. The FMCSRs specify insurance requirements, driver qualifications, hours of service, accident reporting procedures, proper vehicle inspection and repair procedures, and proper parts and accessories for safe operation.

FIRST COME FIRST SERVED (FCFS). Used in reference to a shipper or consignee facility's pickup/delivery scheduling policy.

FISHY-BACK. (Slang) Transportation of truck trailers or highway freight containers on ships or barges.

FIXED COSTS. Predictable, consistent costs that do not vary by the number of miles run – for example, tractor payments and insurance payments. See VARIABLE COSTS.

FLOAT. Flatbed semi-trailer.

FORM 2290. See FEDERAL HIGHWAY USE TAX.

FREIGHT BILL. See BILL OF LADING.

FREIGHT CHARGE. Payment due for freight transportation.

FUEL INJECTOR. The device that injects a mist of fuel into the combustion chamber.

FUEL PUMP. Pump that moves fuel from the fuel tank to the engine.

FUEL SURCHARGE. Extra charges included on the carrier's invoice for excessive fuel costs.

FUEL TAX. Any federal or state tax levied on fuel to pay for the use and maintenance of highways and roads.

G

GBL. Government bill of lading.

GELLING. Tendency of diesel fuel to harden or gel as it gets cold.

GEORGIA OVERDRIVE. (Slang) Driving a truck down a hill with the transmission out of gear (an unsafe and illegal practice).

GLADHANDS. Connectors mounted on the front of a trailer for connecting airlines from the tractor.

GOOSENECK. The curved section of a trailer frame that includes the kingpin and the fifth wheel apron.

GROSS VEHICLE WEIGHT RATING (GVWR). Combined weight of the tractor, trailer and cargo.

GUSSETS. The part of the frame where the crossmembers are bolted to the frame rails.

H

HAZMAT. Hazardous material; any substance the U.S. government has determined to be dangerous to public health when packaged or transported improperly.

HEADACHE RACK. (Slang) Heavy bulkhead mounted behind the cab to protect it from a shifting load.

HHG. Household goods. Usually refers to the calculation of miles on which freight rates are based, sometimes used as a standard in the trucking industry.

HI-LOW. Nickname for a forklift truck.

HIGHWAY USE TAX. See FEDERAL HIGHWAY USE TAX.

I

INBOUND FREIGHT. Freight moving toward the speaker's point from another point.

INDEPENDENT. An owner-operator who has his own operating authority and is not leased to a carrier, generally relying on no one but himself to find and transport freight.

INDIVIDUAL RETIREMENT ACCOUNT (IRA). A retirement savings vehicle that allows an individual to make tax-deferred contributions. Contributions are tax-deductible, but the payout is taxed at the prevailing rate at the time of payout. See ROTH IRA.

INJECTOR. See FUEL INJECTOR.

INSURANCE AGENT. A representative of one or more insurance companies. An independent agent represents more than one company; a captive agent represents only one company.

INTEREST. The cost of borrowing money expressed as a percentage, usually an annual percentage rate (APR).

INTERMODAL TRANSPORTATION. Movement of goods involving more than one mode of shipment on a single freight bill – for example, both rail and truck.

IRONS. (Slang) Tire chains.

J

JACKING. (Slang) Turning a tractor while backing so as to cause the trailer to assume a jackknife position. Combines with chasing to allow the trailer to be steered along the prescribed path.

JACKRABBIT START. (Slang) A sudden start.

JAKE BRAKE. (Slang) Specifically refers to the original engine brake made by Jacobs Vehicle Systems. An engine brake is an auxiliary braking device on a tractor. It builds up back pressure in the engine by preventing the exhaust from escaping so that the engine slows.

JOINTS. (Slang) Refers to double and triple trailer combinations.

JUST-IN-TIME DELIVERY (JIT). An inventory control system in which freight is used as soon as it arrives at its destination. To work, just-in-time delivery mandates that freight not arrive early. Sometimes called "rolling inventory" when the freight is left on trailers due to delayed unloading.

K

KINGPIN. The bolt-like device on the underside of the front of a semi-trailer that fits into the tractor's fifth wheel to couple the tractor and the trailer together.

L

LANDING GEAR. The support legs that hold up the front end of a semi-trailer when it is disconnected from a tractor.

LAYOVER. Non-driving time between loads while under dispatch, whether it's a scheduled rest or time spent waiting for instructions.

LEASE. The contract between an owner-operator and a motor carrier for the purpose of hauling freight booked by the carrier. Leases spell out the responsibilities of each party.

LEASING. An alternative to traditional equipment financing, whereby the lessee pays rent on the equipment and makes monthly payments. See TRAC LEASE.

LESS THAN TRUCKLOAD (LTL). Type of hauling in which multiple shipments share one trailer.

LESSEE. The party to a leasing agreement who has possession and control of a vehicle owned by another.

LESSOR. The party to a leasing agreement who grants possession and control of a vehicle to another.

LIABILITY. Outstanding debt.

LIABILITY INSURANCE. Insurance that covers property damage and bodily injury to another party. Includes bobtail, non-trucking use and unladen. See PRIMARY LIABILITY INSURANCE.

LIMITED LIABILITY COMPANY (LLC). Business structure that offers limited protection for the owners. Profits pass through the owners' personal income tax returns.

M

MANIFEST. A document describing the contents of a shipment. Often incorrectly used interchangeably with "bill of lading," which is a much more comprehensive document.

MISCELLANEOUS PAY. Pay you receive in addition to your pay per mile or load. It could include your fuel surcharge, stop pay or detention pay. Often referred to as "accessorial" pay.

MPG. Miles per gallon.

MUTUAL FUND. An investment pool whose money is in stocks, bonds or other assets. Buying shares of the fund gives you a stake in those assets.

N

NET CASH. The cash you have left after all your business and personal expenses have been covered.

NET INCOME. The amount left over after expenses have been subtracted from revenue. Also called earnings or net earnings.

NET PROFIT. Same as net income or

profit.

NET TON. 2,000 pounds (also called a short ton).

NET WORTH. The difference between a person's assets and liabilities. Also called owner's equity.

NO. 1 DIESEL. Cold-weather fuel.

NO. 2 DIESEL. Normal-weather fuel.

NON-TRUCKING USE INSURANCE. Liability insurance that covers an owner-operator not under dispatch. Not the same as BOBTAIL INSURANCE.

NOS. Not Otherwise Specified, a term used in describing hazardous materials.

NOZZLE. Same as INJECTOR.

O

OCCUPATIONAL-ACCIDENT INSURANCE. Insurance that pays a weekly benefit plus medical expenses if injury on the job prevents the insured person from working. Not the same as disability insurance.

OFF-DUTY TIME. Time specified in the hours of service regulations and on a log book page where the driver is relieved of all work duties and has no responsibilities to the truck.

OIL SEAL. A device used to retain lubricant in the wheel's bearing area.

ON-DUTY TIME. Time specified in the hours of service regulations and on a log book page where the driver is working or is in readiness to work.

OPERATING AUTHORITY. Permission to operate granted to interstate common carriers by the U.S. Department of Transportation. When an owner-operator leases on with a company, that company's authority automatically extends to the owner-operator. Independent owner-operators, however, must establish their own authority.

OPERATIONS. The department of a carrier responsible for finding loads, dispatching trucks and handling customer service.

OTR. See OVER-THE-ROAD OPERATIONS.

OVER, SHORT AND DAMAGED (OS&D). Discrepancies between freight on hand and freight shown on the bill. Freight not covered by billing is over. If some is missing, it is short. Freight received in bad condition is damaged.

OVER-THE-ROAD OPERATIONS (OTR). The interstate transporting of freight for long distances, whether nationally or regionally. Also referred to as long-haul trucking.

OVERDIMENSIONAL FREIGHT. Freight that is legally too heavy, too long or too tall, thus requiring a special permit.

OWNER-OPERATOR. A small-business owner involved in for-hire transportation who owns one or more commercial vehicles and still drives. The owner can be leased to a motor carrier or, if holding operating authority, is a carrier.

OWNER-OPERATOR INDEPENDENT DRIVERS ASSOCIATION (OOIDA). An association primarily for leased owner-operators and independents.

P

PAJAMA WAGON. (Slang) Sleeper tractor.

PARTNERSHIP. A business owned by two or more people, each of whom is taxed individually.

PAYABLES. Accounts payable.

PAYLOAD. The weight of the cargo as the basis for the revenue to be paid for that shipment.

PER DIEM. Latin for "per day." In tax law, those business expenses a person can claim each work day without that money being subject to income tax. For professional drivers, the per diem commonly means the daily tax allowance for meals on the road.

PERCENTAGE OF REVENUE (COSTS). The portion of your revenue each cost represents. It is calculated by dividing the individual cost by the total revenue.

PERCENTAGE OF REVENUE (PAY). A form of compensation where the owner-operator receives a percentage of the gross revenue paid to the carrier.

PERSONAL CONVEYANCE. Allowed unladen, not-under-dispatch use of a tractor or combination truck in the hours of service rule. In regulated ELECTRONIC LOGGING DEVICES, a special driving category enabled from the device administrator's account.

PHYSICAL DAMAGE INSURANCE. Insurance that covers damage to an owner-operator's equipment from an accident involving another vehicle. The law does not require a truck owner to have physical damage insurance, but the lien holder usually does. Not the same as cargo insurance.

PIG TRAILER. Transported on flat rail car.

PIGTAIL. (Slang) Electrical cable used to transmit power from the tractor to trailer.

PINTLE HOOK. Coupling device at rear of truck for the purpose of towing trailers.

PREVENTIVE MAINTENANCE (PM). Checking and servicing equipment according to a planned schedule – for example, each haul or each 10,000 miles.

PRIMARY LIABILITY INSURANCE. Insurance required by law to protect the insured in case of harm against another person, such as property damage or injury. Carriers are required to have such insurance and may deduct the premiums from an owner-operator's settlement.

PRIVATE CARRIER. A company that transports only its own goods over the road without contracting with another company. Many grocery, retail and restaurant chains are private carriers.

PRO NUMBER. The identifying number on a bill of lading for invoicing and tracking purposes.

PROFIT AND LOSS STATEMENT (P&L). A detailed report of how much money a business made or lost during a specific period.

PROGRESSIVE SHIFTING. A fuel-efficient method of shifting gears by accelerating just enough to gain the minimum rpms to shift into the next gear. This also saves wear on the truck's mechanical components.

PROOF OF DELIVERY (POD). A document to show that delivery was made, such as a bill of lading or delivery receipt signed by the consignee/receiver.

PSP. The Pre-Employment Screening Program of the Federal Motor Carrier Safety Administration, making driver inspection and crash histories available to motor carriers for pre-hire/-lease screening purposes.

PULL THE PIN. (Slang) Release the fifth wheel lock.

PUP. (Slang) A short four-wheel trailer pulled behind a semi-trailer or a straight truck.

PUT ON THE AIR. (Slang) Apply the brakes.

PUT ON THE IRONS. (Slang) Put on the tire chains.

Q

QUALIFIED RETIREMENT ACCOUNT. A bank account set up by an individual as a retirement plan according to IRS rules. In most such plans, contributions are tax-deductible, but payouts are taxed at the prevailing tax rate at the time of payout.

R

RADIATOR. A device comprised of tubes and fins through which circulating water passes to give off excess heat and thus cool the engine.

RATE. The tariff or charges for hauling freight.

RECEIVABLES. See ACCOUNTS RECEIVABLE.

REGULATOR. Voltage regulator.

RESIDUAL VALUE. The amount owed to the lessor at the end of a TRAC LEASE.

RETIREMENT ACCOUNT. An account that allows you to make tax-deductible contributions that only can be withdrawn, penalty-free, after a certain age.

REVENUE. The total amount of money an owner-operator earns before accounting for expenses. Also known as gross income.

RIDE SHOTGUN. (Slang) To ride as co-driver in the passenger seat of the tractor.

RIG. (Slang) Truck; tractor/semi-trailer; truck and full trailer; other combination vehicle.

RISK MANAGEMENT. The department of a carrier that monitors and controls the carrier's exposure to risk, usually from truck accidents.

ROTH IRA. An Individual Retirement Account with a tax status that works in reverse to that of a traditional IRA. Contributions are taxed, and eventual payouts are tax-free.

S

"S" CORPORATION. A structure designed for small businesses with 35 or fewer shareholders.

SAE. The Society of Automotive Engineers. Establishes standards for parts and components on motor vehicles.

SATELLITE SYSTEM. A method of tracking the exact location of a truck by means of satellite tracking devices.

SATELLITE TERMINALS. Refers to truck terminals.

SCHEDULE C. The IRS form that lists all business income and expenses. The difference, whether profit or loss, is reported on Form 1040. All sole proprietors must submit a Schedule C, "Profit or Loss Business Sole Proprietorship," with their 1040.

SELECTIVE CATALYTIC REDUCTION (SCR). An emissions control system that injects diesel exhaust fluid, continaing urea, through a catalyst into the exhaust stream of a diesel engine. The DEF sets off a reaction that converts nitrogen oxides into nitrogen, water and tiny amounts of carbon dioxide, which is then emitted.

SELF-EMPLOYMENT TAX. Social Security and Medicare tax paid by the self-employed.

SEMI. (Slang) A tractor-trailer combination.

SETTLEMENT. The record of an owner-operator's net revenue for a certain period, prepared by the trucking company he leases to. A settlement shows total revenue earned minus company charges.

SMOKER. (Slang) Tractor emitting excessive exhaust smoke.

SNELLEN CHART. An eye examination chart usually used during a DOT physical to determine if a person meets visual requirements.

SOLE PROPRIETORSHIP. Business structure in which one person is the owner. This is the simplest way to structure a business and the method recommended for most owner-operators.

SPECIALIZED CARRIER. A carrier that transports only a particular type of freight, such as trade exhibits or construction equipment.

SPECS, SPEC'ING. Specs are a detailed description of a truck's standard components and optional features. Spec'ing is the act of specifying such components.

SPOT THE TRAILER. (Slang) To park and uncouple a trailer at a designated location.

STRAIGHT TRUCK. A truck with the body and engine mounted on the same chassis.

STRIP THE TRAILER. (Slang) Unload the trailer.

SURCHARGE. A charge in excess of what is usual or customary. It can apply to freight rates, fuel prices or fuel taxes, but usually is assumed to be temporary.

SUSPENSION. The system of springs, shocks, etc., supporting a vehicle upon its undercarriage or axles.

SWAMPER. (Slang) A helper who rides with the driver.

T

TANDEMS. The two drive axles on a tractor; also, one trailer directly behind the other and working together.

TECH-ENABLED BROKERAGE. A brokerage that uses technology, such as a phone app, to allow access to approved carriers to its shippers' freight.

TOFC. See TRAILER ON FLATCAR.

TRAC LEASE. Terminal Rental Adjustment Clause lease. A vehicle lease that enables the lessee to keep the vehicle at the end of the lease, provided he pays the lessor the vehicle's residual value.

TRADE CYCLE. The length of time between purchase and trade of a truck or trailer.

TRAFFIC. Department of a shipper responsible for coordinating the transportation of goods.

TRAILER ON FLATCAR (TOFC). Refers to piggyback intermodal operation of transporting trailers on railroad flatcars.

TRANSFER PUMP. A pump used to move fuel from the fuel tank and injectors or the carburetor.

TRANSMISSION. Selective gear box providing various combinations of gear ratios.

TRUCKLOAD. The maximum legal weight of a trailer; or, when used to describe freight rates, the minimum weight of a shipment necessary to qualify for the cheaper rate; or, a full trailer-load shipment described by a single bill of lading. See LESS THAN TRUCKLOAD.

TURN. (Slang) A round-trip freight run.

U

U-BOLT. A horseshoe-shaped bolt, threaded on both ends, used to hold springs together in a spring suspension.

UNDER DISPATCH. Insurance term meaning an owner-operator is operating on instructions received by the carrier and therefore is covered by a carrier's liability insurance. Whether an owner-operator was under dispatch at the time of an accident is of crucial importance in determining whether the carrier or the owner-operator should be held liable.

UNLADEN INSURANCE. Liability insurance that covers the owner-operator when he is pulling an empty trailer, regardless of dispatch status.

V

VALVE. A device that opens and closes openings in a pipe, tube or cylinder.

VARIABLE COSTS. Costs that vary by the number of miles run, including fuel, repairs and tolls. Sometimes called running costs. See FIXED COSTS.

VCR. Driver's daily vehicle condition report.

VOLTAGE REGULATOR. A device that controls the voltage output of a generator.

W

WATER PUMP. Pump that circulates the coolant through the engine cooling system.

WEIGH-IN-MOTION SCALE. A device designed to capture and record axle weight and gross vehicle weight as a vehicle drives over a measurement site.

WHEELBASE. The distance in inches from the center of a truck's front hub to the center of the space between its tandems.

Y

YARD MOVE. A special driving category enabled in ELECTRONIC LOGGING DEVICE administrator accounts for shuttling trailers in a fleet's terminal yard. See also PERSONAL CONVEYANCE.

YARDBIRD. (Slang) A driver who connects and disconnects tractor/semi-trailer combinations and moves vehicles around the terminal yard.