



Memorandum

To: Clients, Friends, Family & Associates of Pro@ctive CPA
From: Mark Wyssbrod, Managing Member
Date: June 28, 2011
Re: Mileage Reimbursement Rate Change

<http://www.irs.gov/newsroom/article/0,,id=240903,00.html>

IRS Increases Mileage Rate to 55.5 Cents per Mile

IR-2011-69, June 23, 2011

Beginning on July 1, 2011, the standard mileage rates for the use of a car (also vans, pickups or panel trucks) will be:

- 55.5 cents per mile for business miles driven
- 23.5 cents per mile driven for medical or moving purposes
- 14 cents per mile driven in service of charitable organizations

WASHINGTON — The Internal Revenue Service today announced an increase in the optional standard mileage rates for the final six months of 2011. Taxpayers may use the optional standard rates to calculate the deductible costs of operating an automobile for business and other purposes.

The rate will increase to 55.5 cents a mile for all business miles driven from July 1, 2011, through Dec. 31, 2011. This is an increase of 4.5 cents from the 51 cent rate in effect for the first six months of 2011, as set forth in Revenue Procedure 2010-51.

In recognition of recent gasoline price increases, the IRS made this special adjustment for the final months of 2011. The IRS normally updates the mileage rates once a year in the fall for the next calendar year.

"This year's increased gas prices are having a major impact on individual Americans. The IRS is adjusting the standard mileage rates to better reflect the recent increase in gas prices," said IRS Commissioner Doug Shulman. "We are taking this step so the reimbursement rate will be fair to taxpayers."

While gasoline is a significant factor in the mileage figure, other items enter into the calculation of mileage rates, such as depreciation and insurance and other fixed and variable costs.



The optional business standard mileage rate is used to compute the deductible costs of operating an automobile for business use in lieu of tracking actual costs. This rate is also used as a benchmark by the federal government and many businesses to reimburse their employees for mileage.

The new six-month rate for computing deductible medical or moving expenses will also increase by 4.5 cents to 23.5 cents a mile, up from 19 cents for the first six months of 2011. The rate for providing services for charitable organizations is set by statute, not the IRS, and remains at 14 cents a mile.

The new rates are contained in [Announcement 2011-40](#) on the optional standard mileage rates.

Taxpayers always have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rates.

Mileage Rate Changes

Purpose	Rates 1/1 through 6/30/11	Rates 7/1 through 12/31/11
Business	51	55.5
Medical/Moving	19	23.5
Charitable	14	14

Other Information

The standard mileage rate for business is based on an annual study of the fixed and variable costs of operating an automobile. The rate for medical and moving purposes is based on the variable costs as determined by the same study. Independent contractor Runzheimer International conducted the study.

A taxpayer may not use the business standard mileage rate for a vehicle after using any depreciation method under the Modified Accelerated Cost Recovery System (MACRS) or after claiming a Section 179 deduction for that vehicle.

In addition, the business standard mileage rate cannot be used for more than four vehicles used simultaneously. The IRS is requesting public comments on whether taxpayers should be allowed to use the business standard mileage rate in this circumstance.

Beginning in 2011, a taxpayer may use the business standard mileage rate for vehicles used for hire, such as taxicabs.



Also beginning in 2011, the standard mileage rates are announced in a separate notice, which also provides the amount a taxpayer must use in calculating reductions to basis for depreciation taken under the business standard mileage rate and the maximum standard automobile cost for automobiles under a FAVR allowance. The IRS plans to discontinue publishing the standard mileage rate revenue procedure annually but will publish modifications as required.

Taxpayers always have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rates.

Please contact us should you have any questions.

Enjoy the rest of your summer!

Pro@ctive CPA

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