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IRS ANNOUNCES BUSINESS AND OTHER STANDARD MILEAGE RATES FOR 2010

The IRS has announced that the 2010 business standard mileage reimbursement rate is 50 cents-per-mile, a decrease from 55 cents-per-mile for 2009. The new rate is effective January 1, 2010 through December 31, 2010.

Businesses generally can deduct the entire cost of operating a vehicle for business purposes. Alternatively, they can use the business standard mileage rate. Their deduction is calculated by multiplying the standard mileage rate by the number of business miles traveled. Self-employed individuals also benefit from the higher rate as do employees whose employers do not reimburse, or only partially reimburse, them for business miles.

While using the business standard mileage rate makes life a little less complicated, there are some drawbacks. The rate includes depreciation and you cannot take any additional depreciation deduction. The IRS indicates the portion of the rate that constitutes depreciation and therefore reduces the basis of the vehicle. The rate also cannot be used for fleet vehicles and in other situations. If you have any questions about when the business standard mileage rate cannot be used, please contact our office.

With any tax break, it's important to keep very accurate records. This is especially true with the mid-year change in the business standard mileage rate. Businesses and individuals who use the standard rate must document all of the miles driven for business purposes. Business travel beginning on January 1, 2010 must be calculated using the rate of 50 cents-per-mile. The IRS also allows taxpayers to claim mileage for using a vehicle to obtain medical care or as a part of a move. The medical/moving rate is traditionally lower than the business mileage reimbursement rate. For 2010, the rate is 16.5 cents-per-mile, a significant drop from 24 cents-per-mile in 2009.

The charitable standard mileage rate remains at 14-cents-per-mile. The charitable rate is set by law, and therefore the IRS cannot raise it along with the business and medical/moving rates. Only Congress can raise it.

If you have any questions regarding the business standard mileage rate feel free to give us a call at 972-503-1040.

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