



EMPLOYMENT BLOG

Increased Gasoline Prices Lead to Increase in Optional Standard Mileage Rates for 2019

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The Internal Revenue Service has announced the optional standard mileage rates for computing the deductible cost of operating an automobile for business, medical, and moving expenses for 2019, and the increased rates reflect the increase in the fixed and variable costs of operating a vehicle. Effective January 1, 2019, the optional standard mileage rates will increase to 58 cents per mile for business transportation, and increase to 20 cents per mile for travel relating to medical transportation expenses.

These mileage rates apply only to those expenses incurred or paid by a taxpayer on or after January 1, 2019 (and if reimbursed by an employer, reimbursed by the employer on and after that date). Expenses incurred prior to January 1, 2019 (whether reimbursed by the employer before or after that date) are still subject to the old 2018 rates (54.5 cents for business transportation, 18 cents for medical transportation). The standard mileage rate for the deduction for charitable contributions remains unchanged from 2018 at 14 cents per mile.

This change in mileage rates is relevant to employers that reimburse employees for business transportation based on mileage. While there is no legal requirement that employees be reimbursed at the IRS standard rate, many employers have a policy of doing so. Even though the 2017 Tax Cuts and Jobs Act eliminated the ability of taxpayers to claim a miscellaneous itemized deduction for unreimbursed employee travel expenses, the income tax exclusion for employees if such expenses are reimbursed was retained. As a reminder, any payments to an employee based on business travel at a rate in excess of the IRS standard rate generally is taxable income to the employee.

If you have questions regarding the above, please contact Mary Ellen Schill, the author of this article, or any of the attorneys in the Employment and Benefits Practice Group of Ruder Ware.

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