

BUSINESS STANDARD MILEAGE RATE FOR 2009 DECREASES; OTHER RATES ALSO DECREASE

IRS has announced that the optional mileage allowance for owned or leased autos (including vans, pickups or panel trucks) is 55¢ per mile for business travel after 2008. That's 3.5¢ down from the 58.5¢ allowance for business mileage in the last six months of 2008. Further, the rate for using a car to get medical care or in connection with a move that qualifies for the moving expense deduction is 24¢ per mile, down 3¢ from the 27¢ per mile allowance for the last half of 2008.

Other business mileage rate rules. For 2009 and 2008, the depreciation component of the mileage rate is 21¢ per mile (19¢ per mile for 2007, 17¢ per mile for 2006 and 2005, 16¢ per mile for 2004 and 2003). The depreciation component reduces the basis of the auto for gain or loss purposes.

Background. The mileage allowance deduction replaces separate deductions for lease payments (or depreciation if the car is purchased), maintenance, repairs, tires, gas, oil, insurance and license and registration fees. The taxpayer may, however, still claim separate deductions for parking fees and tolls connected to business driving. The IRS generally adjusts the standard mileage rate annually, based on a yearly study of the fixed and variable costs of operating an automobile.

Employers that require employees to supply their own autos may reimburse them at a rate that doesn't exceed the business mileage allowance for employment-connected business mileage, whether the autos are owned or leased. Additionally, an employee's personal use of lower-priced company autos may be valued at the optional mileage allowance if certain conditions are met. Taxpayers also have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rates.