

## **BUSINESS STANDARD MILEAGE AND OTHER RATES DECREASE FOR 2010**

IRS has announced that the optional mileage allowance for owned or leased autos (including vans, pickups or panel trucks) is 50¢ per mile for business travel after 2009. That's 5¢ down from the 55¢ allowance for business mileage during 2009.

Other business mileage rate rules. For 2010, the depreciation component of the mileage rate is 23¢ per mile (21¢ per mile for 2009 and 2008, 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.

Other mileage rules for 2010. For 2010, the rate for using a car to get medical care or in connection with a move that qualifies for the moving expense deduction is 16.5¢ per mile (24¢ per mile for 2009). The mileage rate for driving an auto for charitable use during 2010 will remain unchanged at 14¢ per mile (a statutory rate that's not adjusted for inflation).

Simplified deduction method. 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. Certain conditions do prevent use of the standard mileage rate and should be reviewed with your tax advisor. For those taxpayers eligible to use it, the standard mileage rate offers the advantage of eliminating the need to keep a record of actual expenses, or retain receipts where required. A record of the time, place, business purpose and number of miles traveled suffices.

Other applications of mileage allowance method. Employers that require employees to supply their own autos may reimburse them at a rate that doesn't exceed 50¢ per mile for employment-connected business mileage during 2010 (55¢ per mile for 2009), whether the autos are owned or leased. The reimbursement is treated as a tax-free accountable-plan reimbursement if the employee substantiates the time, place, business purpose, and mileage of each trip. Additionally, an employee's personal use of lower-priced company autos during 2010 may be valued at 50¢ per mile 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, although the use and choice may be limited if the actual cost method is not the original method chosen with the commencing of the vehicle's business use.