



Tax Alert

July 12, 2011

IRS Increases Mileage Rate to 55.5 Cents per Mile

The Internal Revenue Service announced an increase in the optional standard mileage rates for the final six months of 2011. The rate increases 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. The IRS normally updates the mileage rates once a year in the fall for the next calendar year but made an exception this year due to the recent rise in gasoline prices.

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 standard by many businesses to reimburse their employees for mileage. Taxpayers always have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rates.

The new six-month rate for computing deductible medical or moving expenses also increases 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.

Please call us if you have any questions.

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