

IRS News Release

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2005 Standard Mileage Rates Set

IR-2004-139, Nov. 17, 2004

WASHINGTON — The Internal Revenue Service today released the optional standard mileage rates to use for 2005 in computing the deductible costs of operating an automobile for business, charitable, medical or moving expense purposes.

Beginning Jan. 1, 2005, the standard mileage rates for the use of a car (including vans, pickups or panel trucks) will be:

- 40.5 cents a mile for all business miles driven, up from 37.5 cents a mile in 2004;
- 15 cents a mile when computing deductible medical or moving expenses, up from 14 cents a mile in 2004; and
- 14 cents a mile when giving services to a charitable organization.

The three-cent increase in the business mileage rate was the largest one-year rise ever. The primary reasons were higher prices for vehicles and fuel during the year ending in September. The charitable standard mileage rate is set by law.

The standard mileage rates for business, medical and moving purposes are based on an annual study of the fixed and variable costs of operating an automobile. An independent contractor, Runzheimer International, conducted the study for the IRS.

A taxpayer may not use the business standard mileage rate for a vehicle after using any depreciation method under the Modified Accelerated Cost Recovery System (MACRS), after claiming a Section 179 deduction for that vehicle, for any vehicle used for hire, or for more than four vehicles used simultaneously.

Revenue Procedure 2004-64 contains additional information on these standard mileage rates. It will appear in Internal Revenue Bulletin 2004-49, dated December 6, 2004. It is also linked from the text of this release on the IRS Web site at www.irs.gov/newsroom.