

INTERNAL REVENUE SERVICE
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May 15, 2000

The Honorable Anthony D. Weiner
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Weiner:

Commissioner Rossotti has asked me to respond to your inquiry dated April 11, 2000, on behalf of your constituent, Mr. [REDACTED]. Mr. [REDACTED] says the business standard mileage rates are inadequate for gasoline and insurance costs.

The rate for 2000 is 32.5 cents a mile. We base this rate on an annual study of operating and fixed costs of using an automobile. An independent contractor, an expert in the field of automobile cost analysis does the study. The types of automobiles used in the study represent a cross-section of the most popular models operated in the United States. The contractor has conducted this study for two decades and uses the most reliable and up-to-date data available to figure a driver's average costs over a year. We publish the mileage rate early so that employers know the rate when reimbursing employees' automobile expenses and so that taxpayers can plan for this business expense.

Gasoline and other automotive costs fluctuate but it is not administratively feasible for us to adjust the rate for these fluctuations more often than annually. However, the standard mileage rate is an optional method for calculating allowable automobile expenses. Employers generally may instead reimburse employees' actual automobile expenses, so long as they are properly documented. In addition, employers may pay a mileage allowance that exceeds the published mileage rate or the actual expenses, but the excess payment must be treated as wages and included in the employee's income.

I hope this information is helpful. Please contact Channing Horton, Identification Number 50-03418, at (202) 622-4920 if we may be of further assistance.

Sincerely,

Deputy Assistant Chief Counsel
(Income Tax & Accounting)

By _____
Robert A. Berkovsky
Chief, Branch 2