

INTERNAL REVENUE SERVICE

274.08-00

July 25, 2000

Number: **INFO 2000-0208**

Release Date: 9/30/2000

[REDACTED]

Attention: [REDACTED]

Dear [REDACTED]:

This letter is in response to your inquiry dated June 23, 2000, on behalf of your constituent [REDACTED]. [REDACTED] asked if the Internal Revenue Service (IRS) will be raising the business standard mileage rate and making it retroactive to reflect rising gasoline prices.

The rate for 2000 is 32.5 cents a mile, and we expect to announce an updated rate for 2001 sometime this Fall. 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.

We base the business standard mileage 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.

Gasoline and other automotive costs fluctuate, but it is not administratively feasible for us to adjust the rate for these fluctuations more frequently than annually. However, the standard mileage rate is an optional, simplified method for substantiating automobile expenses. A taxpayer generally may instead claim a deduction for actual automobile expenses if properly substantiated.

I hope this information is helpful.

Sincerely,

Heather C. Maloy
Associate Chief Counsel
(Income Tax & Accounting)