

**Internal Revenue Service**

**Department of the Treasury**

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Washington, DC 20224

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CC:DOM:IT&A:2 – COR-113350-00

Date: July 28, 2000

Number: **INFO 2000-0209**

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Dear [REDACTED]:

Commissioner Rossotti has asked me to respond to your inquiry dated April 10, 2000. You are concerned that the rate at which federal employees are reimbursed for automobile expenses, which the U.S. General Services Administration (GSA) bases on the business standard mileage rate announced by the Internal Revenue Service (IRS), does not adequately reflect current automobile expenses.

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. The types of automobiles used in the study represent a cross-section of the most popular models operated in the United States. An independent contractor, an expert in the field of automobile cost analysis, does the study. 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. If the mileage rate paid by the federal government is less than the employee's actual expenses of using an automobile on government business, the employee generally may claim the difference as a miscellaneous itemized deduction on the employee's federal income tax return.

COR-113350-00

I hope this information is helpful.

Sincerely,

Associate Chief Counsel  
(Income Tax & Accounting)

By: \_\_\_\_\_

Robert A. Berkovsky  
Chief, Branch 2