

INTERNAL REVENUE SERVICE

July 28, 2000

274.08-00

Number: **INFO 2000-0210**

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[REDACTED]

Dear [REDACTED]:

Commissioner Rossotti has asked me to respond to your inquiry dated June 28, 2000, on behalf of your constituent, [REDACTED]. [REDACTED] asked whether any efforts are being made to revise the standard mileage rate to reflect increased 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. 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 often 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, to the extent the amount exceeds reimbursed expenses.

I hope this information is helpful. [REDACTED]

Sincerely,

Associate Chief Counsel
(Income Tax & Accounting)

By: _____

Robert A. Berkovsky
Chief, Branch 2