

INTERNAL REVENUE SERVICE

October 17, 2000

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[REDACTED]

Attention: [REDACTED]

Dear [REDACTED]:

This letter is in response to your inquiry dated September 6, 2000, concerning the standard mileage rate for medical purposes. As discussed below, the allowable deductions for medical expenses differ from the allowable deductions for business expenses, and the mileage rates reflect these differences.

Your constituents may deduct all of the ordinary and necessary expenses paid or incurred during the taxable year for any trade or business under § 162(a) of the Internal Revenue Code. Your constituents may also deduct depreciation under § 167, but only for property used in a trade or business. The business standard mileage rate reflects these deductible costs of using a car for business purposes and takes into account depreciation (or lease payments), maintenance and repairs, tires, gasoline (including all taxes), oil, insurance, and license and registration fees.

Your constituents may deduct, under § 213, expenses paid during the taxable year, not compensated by insurance or otherwise, for medical care. This includes expenses for "transportation primarily for and essential to medical care." For a personally owned or leased automobile, the term "transportation" refers to the use of the automobile, and not to its acquisition, insurance, and maintenance. Thus, out-of-pocket expenses of driving an automobile, such as gas and oil, are deductible as medical care expenses, but such fixed costs as depreciation, lease payments, insurance, maintenance and repairs, and license and registration fees generally are not. Also, fixed costs generally are not "primarily for and essential to medical care," since these costs are paid regardless of the use of the car for medical purposes. The medical standard mileage rate, therefore, reflects only the expenses that are deductible as medical care expenses, and it is lower than the business standard mileage rate.

I hope this information is helpful. Please call Edwin B. Cleverdon, Identification Number 50-01366, at (202) 622-4920, if you have any questions.

Sincerely,

Associate Chief Counsel
(Income Tax & Accounting)

By: _____

Robert A. Berkovsky
Chief, Branch 2