

INTERNAL REVENUE SERVICE

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April 25, 2001

The Honorable Donald A. Manzullo
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Manzullo:

Commissioner Rossotti asked me to respond to your inquiry dated April 5, 2001, on behalf of your constituent, [REDACTED] wants to know what legislation produced the different standard mileage rates. The current rates are 34.5 cents per mile for business, 12 cents for medical or moving, and 14 cents for charitable purposes. These optional standard mileage rates reflect the differences in what is allowed as a deduction by law for the underlying purpose or activity, and were announced in Rev. Proc. 2000-48, 2000-49 I.R.B. 570.

Business Expenses. Section 162(a) of the Internal Revenue Code allows a deduction for ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business. Additionally, § 167 allows a depreciation deduction for property used in a trade or business. The expenses of owning and using an automobile for business purposes are reflected in the business standard mileage rate, which takes into account depreciation (or lease payments), maintenance and repairs, tires, gasoline (including all taxes thereon), oil, insurance, and license and registration fees.

Medical Expenses. Section 213 allows a deduction for expenses paid during the taxable year, not compensated by insurance or otherwise, for medical care. This includes transportation primarily for and essential to medical care. The courts have ruled that only out-of-pocket automobile expenses are deductible as medical expenses. *Weary v. United States*, 510 F.2d 435 (10th Cir. 1975). The medical standard mileage rate thus excludes the automobile ownership costs of depreciation (or lease payments), maintenance and repairs, tires, insurance, and license and registration fees. Therefore, the medical expense rate is lower than the business standard mileage rate.

Moving Expenses. Section 217 allows a deduction for moving expenses paid or incurred during the taxable year in which the taxpayer began working at a new principal

place of work. This includes expenses for traveling from the former residence to the new residence. As with medical transportation, the allowable deduction for travel when moving excludes the ownership costs of depreciation (or lease payments), maintenance and repairs, tires, insurance, and license and registration fees. The moving standard mileage rate is therefore lower than the business standard mileage rate.

Charitable Expenses. Section 170(a)(1) allows a deduction for any charitable contribution made during the taxable year. A "charitable contribution" is defined in § 170(c) as a contribution or gift to or for the use of specified types of organizations. The standard mileage rate for the charitable deduction for using a passenger automobile while volunteering services to a charitable organization is 14 cents per mile. The current rate was set by § 973(a) of the Taxpayer Relief Act of 1997, and is effective for taxable years after December 31, 1997.

Thus, the standard mileage rates are different because the deductions allowed by law are different. I hope this information is helpful. Please call John T. Sapienza, Jr., Identification Number 50-6383, at (202) 622-4920, if you have any questions.

Sincerely,

Associate Chief Counsel
(Income Tax & Accounting)

By: _____
Robert A. Berkovsky
Chief, Branch 2