



OFFICE OF  
CHIEF COUNSEL

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224  
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Dear [REDACTED]:

This letter is in response to your request dated [REDACTED], that the Internal Revenue Service increase the business standard mileage rate. You ask for the increase because of the rise in the gasoline prices throughout the country. You point out such an increase would allow the General Services Administration (GSA) to increase the mileage reimbursement rate for federal employees who use their personal automobiles in the course of their official duties.

**Gasoline Prices.** We realize increased gasoline prices are an economic burden. However, the cost of gasoline is only one part of the business standard mileage rate, which includes fixed and operating automobile costs. These costs include depreciation (or lease payments), maintenance and repairs, insurance, and license and registration fees, in addition to gasoline and oil. Less than one-third of the 34.5 cents per mile rate comes from the cost of gasoline and oil. Thus, an immediate adjustment in the rate taking into account the recent increase in gasoline prices might not be significant.

**Setting the Business Standard Mileage Rate.** The rate is a national average amount determined by an annual study performed by an independent contractor who is an expert in the cost analysis of business use of automobiles. The contractor uses recent data from each state on the component costs of operating the most popular automobiles. The contractor then combines this data to achieve a national composite cents-per-mile rate. We expect to announce an updated rate sometime this fall.

I hope this information is helpful. Please call Richard Shevak, Identification Number [REDACTED], at (202) 622-[REDACTED] if you have any questions.

Sincerely,

Associate Chief Counsel  
(Income Tax & Accounting)

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

Michael D. Finley  
Chief, Branch 7