



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

OFFICE OF
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August 28, 2006

The Honorable Barbara Cubin
U.S. House of Representatives
Washington, DC 20515

Dear Ms. Cubin:

I apologize for the delay in responding to your letter dated May 24, 2006, to _____, about the standard mileage rates published by the Internal Revenue Service (most recently in Revenue Procedure 2005-78, 2005-2 C.B. 1177). You asked why the deduction of the standard mileage rate for business use of an automobile is greater than the standard mileage rate for medical purposes.

The business and medical standard mileage rates are different because the deductions allowed by law are different.

Business Expenses.

Taxpayers can deduct ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business (sections 162(a) and 167 of the Internal Revenue Code (the Code)). The business standard mileage rate of 44.5 cents per mile for business use on or after January 1, 2006, represents all of the expenses of owning and operating an automobile for business purposes, and takes into account both fixed costs, including depreciation (or lease payments), and operating costs, such as gasoline, oil, maintenance and repairs, and tires (section 5.03 of Rev. Proc. 2005-78).

Medical Expenses.

Taxpayers can deduct medical expenses paid during the taxable year for which they are not compensated by insurance or otherwise, including the cost of transportation primarily for and essential to medical care (section 213 of the Code). The courts have

held that only the out-of-pocket expenses of operating an automobile are deductible as medical expenses. See *Weary v. United States*, 510 F.2d 435 (10th Cir. 1975) and *Calafut v. Commissioner*, T.C.M. 1964-239. Therefore, the medical standard mileage rate of 18 cents per mile represents only out-of-pocket costs of operating an automobile (section 7.03 of Rev. Proc. 2005-78). That is why the medical standard mileage rate is lower than the business standard mileage rate.

I hope this information is helpful. If you have any questions, please call me at
or at .

Sincerely,

George Baker
Branch Chief, Branch 7
(Income Tax & Accounting)