



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

OFFICE OF THE CHIEF COUNSEL

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Dear _____ :

This letter responds to your inquiry dated January 5, 2010 to President Obama. You asked about the disparity between the standard mileage rate used to calculate deductible costs of operating an automobile for business purposes and the standard mileage rates used to calculate deductible costs of operating an automobile for health care and volunteer purposes.

The standard mileage rates are different primarily because different provisions of the Internal Revenue Code (the Code) govern them. Deduction of the costs of operation of an automobile for health care purposes is based on the medical expense deduction under section 213 of the Code. Section 213 is limited to a deduction for expenses or amounts paid for health care in the taxable year. Consistent with section 213, the standard mileage rate for an individual taxpayer's deduction for driving an automobile for medical purposes is based solely on variable costs of operating an automobile. Variable costs are out-of-pocket operating expenses associated with the use of the vehicle, such as gasoline and oil.

The standard mileage rate for volunteer purposes is provided by section 170(i) of the Code. Section 170 limits the standard mileage rate to the variable costs associated with use of a passenger automobile for providing services to a charitable organization and also establishes the amount of the rate.

The standard mileage rate for business purposes, on the other hand, is based on a deduction allowed under section 162(a) of the Code for ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business. Employees and self-employed individuals using an automobile to carry on a trade or

business may deduct fixed costs of owning an automobile, in addition to variable costs. Fixed costs include depreciation, liability insurance, and general repairs or maintenance in connection with the use of the automobile. Therefore, the business purpose mileage rate is higher than the rates for health care or volunteer purposes.

Based on this legal framework, an independent study is conducted annually on behalf of the Internal Revenue Service to determine current variable and fixed costs of owning and operating an automobile. The standard mileage rates for business and medical purposes are based on the results of the study, whereas the standard mileage rate for volunteer purposes is set by section 170(i) of the Code.

However, as you may be aware, taxpayers have the option of deducting the actual costs of using their vehicle, rather than using the standard mileage rates. For your convenience, I am enclosing a copy of Publication 502, *Medical and Dental Expenses*. The discussion of transportation costs can be found on pages 13 and 14.

I hope this information is helpful. If you have any questions, please call _____ or _____, Office of Chief Counsel, Income Tax and Accounting Division, at _____.

Sincerely,

JOHN P. MORIARTY
Chief, Branch 1
Associate Chief Counsel
(Income Tax & Accounting)

Enclosure