



OFFICE OF
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DEPARTMENT OF THE TREASURY
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WASHINGTON, D.C. 20224

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United States Senator
The Honorable Bill Nelson
Landmark Two
225 East Robinson Street, Suite 410
Orlando, FL 32601

Dear Senator Nelson:

I am responding to your letter, dated March 28, 2011, on behalf of your constituent, . asked why the standard mileage rate for calculating deductible business expenses is different than the rate for calculating deductible medical and moving expenses.

The rates vary because the law distinguishes business expenses from personal expenses like medical and moving expenses.

Automobile Use for Business Purposes

Taxpayers may deduct the full cost of *owning and operating* an automobile for business purposes. For example, a taxpayer may deduct both fixed ownership costs such as purchase price, lease payments, and depreciation, as well as variable operating costs such as fuel and repairs. The standard mileage rate for business use is calculated to estimate both types of expenses. The current rate is 51 cents per mile.

Automobile Use for Medical and Moving Purposes

Taxpayers may deduct only the costs of *operating* an automobile for medical and moving purposes. The law does not permit a deduction for *ownership* costs. The standard mileage rate for medical and moving use is calculated to estimate only *operating* expenses, not *ownership* costs. Consequently, the standard rate for medical

and moving use is less than the standard rate for business use. The current rate is 19 cents per mile.

I hope our response is helpful to you. If we can be of further assistance, please contact me or _____, Identification Number _____, at () _____.

Sincerely,

George J. Blaine
Associate Chief Counsel
(Income Tax and Accounting)