

Legislative Recommendation #60**Establish a Uniform Standard Mileage Deduction Rate for All Purposes****SUMMARY**

- *Problem:* The IRC authorizes taxpayers to deduct the costs of operating an automobile for several purposes. In combination with administrative guidance, however, it authorizes different standard mileage rates for each purpose. This is complicated and confusing to taxpayers, tax professionals, and IRS employees alike.
- *Solution:* Establish a uniform mileage deduction rate for all purposes.

PRESENT LAW

There are currently three different standard mileage deduction rates: one for business miles, one for charitable miles, and a third for medical transportation and military relocation miles. The rate for charitable miles is fixed by the IRC. The mileage rates for other purposes are not fixed by the IRC. Instead, the IRS generally adjusts the mileage rates annually.¹ Revenue Procedure 2019-46 states that the IRS will adjust the mileage rates in an annual notice.²

- *Business Miles:* IRC § 162 authorizes a deduction for the ordinary and necessary expenses a taxpayer pays or incurs during the taxable year, including the costs of operating an automobile used in the business. In 2023, the mileage deduction for business purposes was 65.5 cents per mile.³
- *Charitable Miles:* IRC § 170 authorizes a deduction for the use of an automobile in providing free services to a charitable organization. IRC § 170(i) sets the mileage deduction for providing free services to a charitable organization at 14 cents per mile. This amount was set in 1998, was not indexed for inflation, and has not been changed since that time.⁴
- *Medical and Military Moving Miles:* Deductions for the costs of operating an automobile are currently permitted for transport to medical care (*see* IRC § 213) and for military moving purposes (*see* IRC § 217). In 2023, the standard mileage rate for these purposes was 22 cents per mile.⁵

The IRS sets the standard mileage rate for business purposes by adding the fixed and variable costs of operating a motor vehicle. It sets the standard mileage rate for medical transportation and military relocation automobile expenses based solely on variable costs.⁶ Taxpayers have the option to calculate the actual costs of operating a vehicle in lieu of claiming the standard mileage allowance.⁷

1 See IRC § 62; Treas. Reg. §§ 1.62-2, 1.274-5.

2 2019-49 I.R.B. 1301.

3 IRS, News Release IR-2022-234, IRS Issues Standard Mileage Rates for 2023; Business Use Increases 3 Cents Per Mile (Dec. 29, 2022), <https://www.irs.gov/newsroom/irs-issues-standard-mileage-rates-for-2023-business-use-increases-3-cents-per-mile>.

4 IRC § 170(i); Taxpayer Relief Act of 1997, Pub. L. No. 105-34, § 973, 111 Stat. 788, 898 (1997).

5 IRS, News Release IR-2022-234, IRS Issues Standard Mileage Rates for 2023; Business Use Increases 3 Cents Per Mile (Dec. 29, 2022), <https://www.irs.gov/newsroom/irs-issues-standard-mileage-rates-for-2023-business-use-increases-3-cents-per-mile>.

6 *Id.*

7 *Id.*

REASONS FOR CHANGE

The IRC provides or authorizes different mileage rates for different purposes. The costs of operating a motor vehicle are the same regardless of whether the vehicle is used for business, charitable, medical, or military moving purposes. The use of different rates causes confusion for taxpayers, tax professionals, and IRS employees. For example, someone may know the deduction rate for one purpose and, not realizing there are different rates, erroneously apply that rate for another purpose. Indeed, some civic minded self-employed individuals may claim mileage deductions for both business and charitable purposes on the same tax return. Not only do multiple rates cause confusion, but if a taxpayer uses the wrong rate, even inadvertently, he or she may be subject to a tax adjustment, penalties, and interest charges. This undermines public confidence in the fairness of the tax system. If a motor vehicle on average costs a certain amount to operate, that mileage rate should apply across the board.

Additionally, the National Taxpayer Advocate notes that the 14-cent standard mileage rate for charitable miles established in 1998 does not reflect the current costs of automobile usage. Mileage rates should be indexed for inflation.

RECOMMENDATIONS

- Establish a uniform standard mileage deduction rate for business, charitable, medical, and military moving expenses, harmonizing IRC §§ 162, 170(i), 213, and 217.⁸
- Index the standard mileage deduction rate for inflation.

⁸ Under current law, taxpayers claiming a deduction at the standard business mileage rate must reduce the basis of their vehicle by the amount attributable to depreciation. See IRC § 1016(a)(2); Rev. Proc. 2019-46, 2019-49 I.R.B. 1301. Similar basis reductions are not required for deductions relating to the use of a vehicle for charitable, medical, or military moving purposes. If Congress establishes a uniform mileage rate, it may wish to consider whether any corresponding changes to the basis adjustment rules would be appropriate.