

AMERICAN PAYROLL ASSOCIATION Compliance Update

IRS Decreases Business Mileage Rate to 50 Cents for 2010

The IRS has announced that the business standard mileage rate for transportation expenses paid or incurred beginning January 1, 2010, will be 50 cents per mile, down from the 55 cents per mile rate in effect during 2009 [Rev. Proc. 2009-54, released 12-3-09; www.irs.gov/pub/irs-drop/rp-09-54.pdf].

The mileage rate may be used to compute the deductible cost of operating a passenger car (also vans, pickups, or panel trucks) for business purposes. It may also be used by employers that elect to use the "cents-per-mile" valuation method for purposes of determining the amount that needs to be imputed to an employee's income for personal use of certain company-owned or leased nonluxury vehicles.

In addition, the 2010 standard rate for miles driven for medical or moving purposes will decrease to 16.5 cents per mile, down from the 24 cents per mile rate in effect during 2009.

Finally, the standard mileage rate for operating a passenger car for charitable purposes is set by law and will stay at 14 cents per mile in 2010.

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