

IRS News Release

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IRS Increases Mileage Rates through Dec. 31, 2008

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WASHINGTON — The Internal Revenue Service today announced an increase in the optional standard mileage rates for the final six months of 2008. Taxpayers may use the optional standard rates to calculate the deductible costs of operating an automobile for business, charitable, medical or moving purposes.

The rate will increase to 58.5 cents a mile for all business miles driven from July 1, 2008, through Dec. 31, 2008. This is an increase of eight (8) cents from the 50.5 cent rate in effect for the first six months of 2008, as set forth in [Rev. Proc. 2007-70](#).

In recognition of recent gasoline price increases, the IRS made this special adjustment for the final months of 2008. The IRS normally updates the mileage rates once a year in the fall for the next calendar year.

"Rising gas prices are having a major impact on individual Americans. Given the increase in prices, the IRS is adjusting the standard mileage rates to better reflect the real cost of operating an automobile," said IRS Commissioner Doug Shulman. "We want the reimbursement rate to be fair to taxpayers."

While gasoline is a significant factor in the mileage figure, other items enter into the calculation of mileage rates, such as depreciation and insurance and other fixed and variable costs.

The optional business standard mileage rate is used to compute the deductible costs of operating an automobile for business use in lieu of tracking actual costs. This rate is also used as a benchmark by the federal government and many businesses to reimburse their employees for mileage.

The new six-month rate for computing deductible medical or moving expenses will also increase by eight (8) cents to 27 cents a mile, up from 19 cents for the first six months of 2008. The rate for providing services for charitable organizations is set by statute, not the IRS, and remains at 14 cents a mile.

The new rates are contained in Announcement 2008-63 on the optional standard mileage rates.

Taxpayers always have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rates.

Mileage Rate Changes

Purpose	Rates 1/1 through 6/30/08	Rates 7/1 through 12/31/08
Business	50.5	58.5
Medical/Moving	19	27
Charitable	14	14

Part IV - Items of General Interest

OPTIONAL STANDARD MILEAGE RATES

Announcement 2008-63

This announcement informs taxpayers that the Internal Revenue Service is modifying Rev. Proc. 2007-70, 2007-50 I.R.B. 1162, by revising the optional standard mileage rates for computing the deductible costs of operating an automobile for business, medical, or moving expense purposes and for determining the reimbursed amount of these expenses that is deemed substantiated. This modification results from recent increases in the price of fuel.

The revised standard mileage rates are:

- | | |
|------------------------|---------------------|
| (1) Business | 58.5 cents per mile |
| (2) Medical and moving | 27 cents per mile |

The mileage rate that applies to the deduction for charitable contributions is fixed under § 170(i) of the Internal Revenue Code at 14 cents per mile.

The revised standard mileage rates set forth in this announcement apply to deductible transportation expenses paid or incurred for business, medical, or moving expense purposes on or after July 1, 2008, and to mileage allowances that are paid both (1) to an employee on or after July 1, 2008, and (2) with respect to transportation expenses paid or incurred by the employee on or after July 1, 2008.

The standard mileage rates set forth in Rev. Proc. 2007-70 continue to apply to deductible transportation expenses paid or incurred for business, medical, or moving expense purposes before July 1, 2008, and to mileage allowances paid (1) to an employee before July 1, 2008, or (2) with respect to transportation expenses paid or incurred by the employee before July 1, 2008. All other provisions of Rev. Proc. 2007-70 remain in effect.

EFFECT ON OTHER DOCUMENTS

Rev. Proc. 2007-70 is modified.

DRAFTING INFORMATION

The principal author of this announcement is Bernard P. Harvey of the Office of Associate Chief Counsel (Income Tax and Accounting). For further information regarding this announcement, contact Mr. Harvey at (202) 622-4930 (not a toll-free call).