



December 8, 2010

Mileage Reimbursement Rate Raised by IRS

The IRS has raised the rate for calculating the deductible cost of operating an automobile for business purposes. Starting from January 1, 2011 the rate will be 51 cents a mile, up from 50 cents a mile this year.

In West Virginia, the rate at which employees will be reimbursed for using their own personal vehicles for official business was reduced from 44.5 cents per mile to 40.5 cents in February. This has remained unchanged since then.

Diane Holley-Brown, communications director for the state Department of Administration, said the cabinet secretary reviews the state mileage reimbursement rate in July and January of each year. She said a decision on the 2011 rate has not been made yet.

For a vehicle used for medical or moving purposes, the federal mileage reimbursement rate will be 19 cents a mile beginning January 2011. This is an increase from 16.5 cents a mile this year. This rate is worked out on the basis of the variable costs of maintaining a vehicle in an annual study conducted by Runzheimer International, an independent contractor. The reimbursement rate for vehicles driven for charitable organization

purposes will remain unchanged at 14 cents a mile.

The standard mileage rate set by the government for business is based on the fixed and variable costs of operating a vehicle in the Runzheimer International study.

But the state is not required to follow federal guidelines on mileage reimbursement. Holley-Brown said the state of West Virginia does consider the various factors pertaining to the fixed and variable costs of operating a vehicle, among which is the prices of gasoline.

There are some counties, local governments and companies in the private sector that follow the federal rates set by the IRS but it is not obligatory for them to do so. The highest state rate, 50.5 cents, was put in effect in 2008, when the price of gasoline was more than \$4 a gallon. That rate remained in effect until January 20, 2009 when it was lowered to 44.5 cents.