

## The Deductible Mileage Rate for Business Driving Increases for 2022

Clients & Friends -

**The IRS has announced the 2022 optional standard mileage** rates used to calculate the deductible costs of operating an automobile for business, charitable, medical or moving purposes.

**Background:** If you use a vehicle for business driving, you can generally deduct the actual expenses attributable to your business use. This includes expenses such as gas, oil, tires, insurance, repairs, licenses and vehicle registration fees. In addition, you may claim a depreciation allowance for the vehicle, based on the percentage of business use. However, annual write-offs are subject to so-called "luxury car" limits, indexed annually.

But some taxpayers don't want to keep track of every vehicle-related expense. *Another option:* Instead of deducting your actual expenses, you may be able to use the IRS' standard mileage rate. With this approach, you don't have to account for all your actual expenses, although you still must record the mileage for each business trip, the date, the destinations, the names and relationships of the business parties and the business purpose of the travel. The rate is adjusted annually by the IRS.

Beginning on January 1, 2022, the standard mileage rates for the use of a car (also vans, pickups or panel trucks) is:

- **58.5 cents per mile** for business miles driven. For 2021, the rate was 56 cents a mile.
- **18 cents per mile** driven for medical or moving purposes, up from 16 cents for 2019.
- **14 cents per mile** driven in service of charitable organizations. (This amount remains unchanged from 2021.)

**Important:** Under the Tax Cuts and Jobs Act, taxpayers can't claim a miscellaneous itemized deduction for unreimbursed employee travel expenses. Taxpayers also cannot claim a deduction for moving expenses, unless they're members of the Armed Forces on active duty moving under orders to a permanent change of station.

The standard mileage rate for business is based on an annual study of the fixed and variable costs of operating an automobile. The rate for medical and moving purposes is based on the variable costs as determined by the same study. The charitable rate is set by law.

### What Does Gas Cost These Days Around the Country?

The national average price of a gallon of regular unleaded gas was \$3.30 on December 20, 2021.

There are variations in fuel prices from one state to another so the price per gallon in your state could be higher or lower than the average.



For example, on December 20, 2021, the average price per gallon of regular unleaded gas was:

- \$2.89 in Texas,
- \$2.94 in Missouri
- \$3.00 in Tennessee,
- \$3.01 in South Carolina,
- \$3.40 in New Jersey
- \$4.33 in Hawaii, and
- \$4.66 in California.

— Source: AAA Daily Fuel Gauge Report

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

A taxpayer may not use the business standard mileage rate for a vehicle after using any depreciation method under the Modified Accelerated Cost Recovery System (MACRS) or after claiming a Section 179 deduction for that vehicle. In addition, the business standard mileage rate cannot be used for more than four vehicles used simultaneously.

If you have questions about deducting mileage expenses in your situation, consult with your Jackson Thornton tax advisor.

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