

# CLIENT ALERTS

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## Gas Prices Are Not the Only Thing Increasing: IRS's Mid-Year Mileage Rate Increase

### Client Alert

6.21.2022

In reacting to recent gas price increases, last week the IRS took the unusual step of announcing a mid-year increase in the standard mileage reimbursements, which will apply starting July 1, 2022. These mileage rates are referred to by the IRS as "optional," because they can be used in lieu of calculating the actual costs of operating a motor vehicle for various purposes, but they are typically used by independent contractors, by employers as part of their reimbursement policies, and for governmental travel.

In Announcement 2022-13, released June 9, 2022, the IRS provides that effective July 1<sup>st</sup> the standard rate for business travel increases to 62.5 cents per mile (up 4 cents from the current 2022 rate). The new rate for deductible medical expenses (and moving expenses available for active-duty members of the military) will be 22 cents (also up 4 cents from the current 2022 rate).[1]

The rate of 14 cents per mile rate for the deduction of mileage for charitable purposes, however, remains unchanged—this rate is fixed by statute, not by the IRS.

Typically, the IRS publishes new rates only once a year, based on a formula tracking the costs of motor vehicle operation, and new rates go into effect each January 1. Mid-year adjustments to these rates are rare, indeed, the last one occurred in 2011.

In releasing these new rates, IRS Commissioner Chuck Rettig stated "The IRS is adjusting the standard mileage rates to better reflect the recent increase in fuel prices. We are aware a number of unusual factors have come into play involving fuel costs, and we are taking this special step to help taxpayers, businesses and others who use this rate." The IRS also noted that while fuel costs were a significant factor, other items were

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considered in setting the rates, such as depreciation, insurance and other fixed and variable costs.

There are limitations on mileage deductions, so these are not typically available to employees for unreimbursed vehicle use. However, independent contractors can use these rates in calculating business expenses.

Employers who have reimbursement plans for their employees who use personal vehicles for business should decide whether to follow the IRS standard rates, and, if so, update reimbursement policies and communicate this information to employees accordingly by the July 1, 2022 effective date.

For more information about the IRS standard mileage rates, or other matters involving business deductions or employee reimbursements, please contact the authors of this Alert or your Butzel Attorney for further assistance.

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[1] See information at <https://www.irs.gov/newsroom/irs-increases-mileage-rate-for-remainder-of-2022>