

IRS Increases Standard Mileage Rates Starting July 1, 2022

Alert

06.16.2022

By Charley Jensen

The Internal Revenue Service Announcement 2022-13, published on June 10, 2022, increases the standard mileage rates for deductible business travel, medical and moving expenses for the second half of 2022, in accordance with the following chart.

MILEAGE FOR EMPLOYEES AND MOVING EXPENSES FOR THOSE OTHER THAN ACTIVE-DUTY MILITARY

As a result of the Tax Cuts and Jobs Act (TCJA) limitations, deductions were suspended for tax years beginning in 2018 through 2025 for: (1) moving expenses for those other than active-duty military members making military mandated moves; and (2) miscellaneous itemized deductions, including employee business expenses. As an alternative for employees, employers could consider reimbursing employees for their automobile mileage, as many tax professionals believe that such reimbursements qualify as a working condition fringe benefit, which generally means that if the employee paid for such expense, it would be deductible to the employee as a business expense.

The reason this seemingly circular reasoning produces a favorable result for employees, at least according to many tax professionals, is due to the statutory language allowing the employee the exclusion for a working condition fringe benefit (if the expense would be deductible business expense had the employee paid for it) does not refer to the section that limits an employee's business expenses as miscellaneous itemized deductions (the one which is suspended under (2) above). Further, in the TCJA, Congress did not specifically suspend the exclusion for working condition fringe benefits, which did occur with the suspension of the deduction for moving expenses (discussed in (1) above). Finally, regulations under the working condition fringe benefit exclusion, which predate the TCJA and have not been updated for the

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TCJA, state that the two-percent floor on miscellaneous itemized deductions, another limitation found in the section that limits an employee's business expenses as miscellaneous itemized deductions, does not apply when determining the amount of the working condition fringe benefit exclusion.

CONTACT

Charles F. Jensen

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