

IRS Increases Standard Mileage Rates

Have you noticed the price of gas? So has the IRS, and — for the fourth time since 1999 — the reimbursement rate for business mileage has changed mid-year. From July 1 through December 31, 2011, the new rate is 55.5¢ per mile. That's an increase of 4.5¢ from the January through June rate of 51¢ per mile.

What do you need to do? If you use the standard mileage rate method to pay your employees or yourself for miles driven while on company business, update your reimbursement forms and jot your July 1 odometer reading into your auto log. Make sure your log contains the time, place, business reason, and mileage for each trip, too, because you'll need documentation when you file your tax return at year-end. Remember that even when you use the standard mileage rate, you can still reimburse yourself or your employees for parking and tolls. Interest on your auto loan may also be partially deductible when you're self-employed and use your car in your business.

Keep track of your actual vehicle expenses, as well. Why? As long as you used the standard mileage reimbursement method for the first year you owned your vehicle, you can switch to using actual expenses later — and back again in following years. Having the information on hand lets you figure out which method offers the most tax savings.

Other information you'll want to track: medical and moving mileage. Effective July 1, those rates are 23.5¢ per mile, up from 19¢ during the first half of 2011. The charitable mileage rate remains at 14¢.

Got questions? Give us a call.