

JUNE 16, 2022

## Standard business mileage rate will increase for the second half of 2022

The IRS recently announced that it'll increase the standard mileage rate for qualified business driving for the second half of 2022. The adjustment reflects the soaring cost of gasoline this year. In fact, as of June 13, the nationwide average price of regular unleaded gas was \$5.01 a gallon, according to the AAA Gas Prices website. This is compared with \$3.08 a gallon a year ago.



Beginning July 1, 2022, the standard mileage rate for business travel will be 62.5 cents per mile, up 4 cents from the 58.5 cents-per-mile rate effective for the first six months of the year. The IRS also announced an increased standard mileage rate for medical driving and moving for members of the military.

“The IRS is adjusting the standard mileage rates to better reflect the recent increase in fuel prices,” said IRS Commissioner Charles Rettig. “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.”

### Basic business driving deduction rules

There are two options for deducting business driving expenses. If you use a vehicle for business driving, you generally have the option to 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. Note that your deduction may be subject to so-called “luxury car” limits, indexed annually.

But many taxpayers don't want to keep track of all their vehicle-related expenses. Instead of deducting your actual expenses, you may be able to use a standard cents-per-mile rate. With the standard mileage deduction, you don't have to account for all your actual expenses, although you still must record certain information such as the mileage for each business trip, the dates you drove and the business purpose of the travel.

The cents-per-mile rate is adjusted annually by the IRS. Initially, the agency established a rate of 58.5 cents per business mile for 2022 (up from 56 cents per mile in 2021). But higher gas prices spurred calls for a mid-year adjustment. There's some precedent for this action: The standard mileage rate was increased for the last six months of 2011 and 2008 after gas prices soared.

With the IRS announcement that the standard business rate will increase to 62.5 cents per mile for the last half of this year, taxpayers who use it will have to use a “blended rate” for 2022 to figure their deductions.

For example, let's assume that you drive 10,000 miles every six months on business. You also incur \$1,100 in related tolls and parking fees during the year. Based on the initial IRS rate, your deduction for business driving for the first six months of 2022 is \$5,850 (10,000 miles × 58.5 cents). However, you can deduct \$6,250 (10,000 miles × 62.5 cents) for business auto trips during the last six months of 2022. Thus, your total deduction is \$13,200 (\$5,850 + \$6,250 + \$1,100 tolls and parking fees).

There are additional rules that may prevent a taxpayer from using the standard cents-per-mile rate or the actual expenses method. For example, leased vehicles must use the standard mileage rate method for the entire lease period (including renewals) if the standard mileage rate is chosen for the first year.

### Medical and moving driving

In addition to business driving, you can use the standard mileage rate if you use your vehicle for medical reasons and you deduct medical expenses on your tax return. For example, you can include in medical expenses the amounts paid when you use a car to travel to doctors' appointments. The new rate for deductible medical expenses will be 22 cents per mile beginning July 1, up from 18 cents per mile for the first six months of 2022.

And the rate for moving-expense driving (currently available only for active-duty members of the military) will also increase to 22 cents per mile beginning July 1, up from 18 cents per mile. The rate for charitable driving, which can be amended only by Congress, remains unchanged at 14 cents per mile for the entire year.

### What's the right option for you?

Keep in mind that you still may fare better from a tax standpoint using the actual expense method than you would with the standard mileage rate, even after the latest rate increases. [Contact us](#) to discuss your particular circumstances.

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