



The standard business mileage rate will be going up slightly in 2024

The optional standard mileage rate used to calculate the deductible cost of operating an automobile for business will be going up by 1.5 cents per mile in 2024. The IRS recently announced that the cents-per-mile rate for the business use of a car, van, pickup or panel truck will be 67 cents (up from 65.5 cents for 2023).

The increased tax deduction partly reflects the price of gasoline, which is about the same as it was a year ago. On December 21, 2023, the national average price of a gallon of regular gas was \$3.12, compared with \$3.10 a year earlier, according to AAA Gas Prices.

Standard rate vs. tracking expenses

Businesses can generally deduct the actual expenses attributable to business use of vehicles. These include gas, tires, oil, repairs, insurance, licenses and vehicle registration fees. In addition, you can claim a depreciation allowance for the vehicle. However, in many cases, certain limits apply to depreciation write-offs on vehicles that don't apply to other types of business assets.

The cents-per-mile rate is helpful if you don't want to keep track of actual vehicle-related expenses. However, you still must record certain information, such as the mileage for each business trip, the date and the destination.

The standard rate is also used by businesses that reimburse employees for business use of their personal vehicles. These reimbursements can help attract and retain employees who drive their personal vehicles for business purposes. Why? Under current law, employees can't deduct

unreimbursed employee business expenses, such as business mileage, on their own income tax returns.

If you use the cents-per-mile rate, keep in mind that you must comply with various rules. If you don't comply, reimbursements to employees could be considered taxable wages to them.

Rate calculation

The business cents-per-mile rate is adjusted annually. It's based on an annual study commissioned by the IRS about the fixed and variable costs of operating a vehicle, such as gas, maintenance, repairs and depreciation. Occasionally, if there's a substantial change in average gas prices, the IRS will change the rate midyear.

Not always allowed

There are cases when you can't use the cents-per-mile rate. In some situations, it depends on how you've claimed deductions for the same vehicle in the past. In other situations, it hinges on if the vehicle is new to your business this year or whether you want to take advantage of certain first-year depreciation tax breaks on it.

As you can see, there are many factors to consider in deciding whether to use the standard mileage rate to deduct business vehicle expenses. We can help if you have questions about tracking and claiming such expenses in 2024 — or claiming 2023 expenses on your 2023 tax return.