

January 7, 2021

Standard Mileage Rates for 2021

The IRS has issued the standard mileage rates for 2021 (Notice IR 2020-279). Taxpayers have the option of using these rates beginning January 1, 2021 as follows:

56 cents per mile - Vehicle usage as transportation for a business purpose or business travel (includes cars, vans, pickups, or panel trucks). This rate may also be used by employers as the maximum amount they can use to reimburse an employee using his vehicle for a business purpose without substantiating the actual cost incurred by the employee.

16 cents per mile - Vehicle usage for Medical purposes, or moving purposes for qualified active-duty members of the Armed Forces, down 1 cent from the rate for 2020, and

14 cents per mile - Vehicle usage for service for charitable organizations.



In 2021, the standard mileage rate for business has decreased 1.5 cents per mile from the 2020 rate. Likewise, the standard mileage rate for medical, as well as specifically allowed moving purposes, also has decreased 1 cent per mile from 2020 rates. Each year, these two rates are adjusted based on an annual study of various costs of operating an automobile. The standard mileage rate for charitable service will remain the same since this rate is set by statute.

As always, taxpayers continue to have the option to calculate the actual costs of using their vehicle, instead of using the standard mileage rates.

It is essential to know that under the Tax Cuts and Jobs Act, taxpayers cannot claim a miscellaneous itemized deduction for unreimbursed employee travel expenses and cannot claim a deduction for moving expenses, unless they are members of the Armed Forces on active duty moving under orders to a permanent change of station. They are required to use the 16 cents-per-mile business standard mileage rate, down 1 cent from 2020.

As stated in an article from the Journal of Accountancy, “self-employed taxpayers can deduct automobile expenses if they qualify as ordinary and necessary business expenses. The standard mileage rate



also can be used as the maximum amount an employer can reimburse an employee for operating an automobile for business purposes without substantiating the actual expense incurred, as described under Rev. Proc. 2019-46.”

There are certain limitations, per the IRS, for using the standard mileage rate for business purposes such as:

- A taxpayer may not use the standard mileage rate on more than five vehicles simultaneously.
- You must not have claimed a depreciation deduction for the car using any method other than straight-line,
- You must not have claimed a Section 179 deduction on the car,
- You must not have claimed the special depreciation allowance on the car, and
- You must not have claimed actual expenses after 1997 for a car you lease.

For 2021, the portion of the standard mileage rate that taxpayers need to use in calculating reductions to basis for depreciation is 26 cents per mile, a decrease of 1 cent from 2020.

These new standard mileage rates should be incorporated when filing for the 2021 tax year. If you need any help determining which changes affect your business, we would be happy to assist you. Please do not hesitate to call or email info@griffing.com at Griffing & Company, P.C. for help with these or any other questions you may have.

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