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Federal Mileage Rate Increase Effective July 1, 2008

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Municipal Technical Advisory Service

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THE UNIVERSITY of TENNESSEE
MUNICIPAL TECHNICAL ADVISORY SERVICE

...in cooperation with the Tennessee Municipal League

#168
HOT topic

July 10, 2008

FEDERAL MILEAGE RATE INCREASE EFFECTIVE JULY 1, 2008

C. Richard Phebus, Finance and Accounting Consultant

The Internal Revenue Service announced on June 23, 2008, an increase in the optional standard mileage rate for the final six months of calendar year 2008. The optional rate may be used to reimburse employees for the use of personal vehicles used in the course of business activities.

The rate increased to 58.5 cents a mile for all business miles driven from July 1, 2008, through December 31, 2008. This is an increase of 8 cents from the 50.5 cents per mile in effect for the first six months of 2008. The IRS made this special adjustment for the final months of 2008 due to rising gasoline prices nationwide. You can read IRS Announcement 2008-63 at the IRS Web site.

Municipalities that reimburse employees for business use of their personal vehicles based on the federal optional rate should revise their travel policies to reflect this change if necessary. The rate increase applies to travel costs incurred or paid on July 1, 2008, or after. Expenses incurred or paid prior to July 1, 2008, should be reimbursed at the previous rate of 50.5 cents per mile.

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