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Federal and State Standard Mileage Rates Announced

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MTAS
Municipal Technical Advisory Service
In cooperation with the Tennessee Municipal League

#121
HOT topic

January 10, 2006

FEDERAL AND STATE STANDARD MILEAGE RATES ANNOUNCED

Dick Phebus, Finance and Accounting Consultant

FEDERAL MILEAGE RATE FOR 2006

Revenue Procedure 2005-78, issued by the Internal Revenue Service, has established a standard mileage rate for business purposes of 44.5 cents per mile for calendar year 2006, effective January 1, 2006. The new rate for business miles compares to a rate of 40.5 cents per mile for the first eight months of 2005. In September, the IRS made a special one-time adjustment for the last four months of 2005, raising the rate for business miles to 48.5 cents per mile in response to a sharp increase in gas prices, which topped $3 a gallon.

Municipalities that reimburse employees for business use of their automobiles on official business based on the federal rate should amend their travel policies to reflect the new rate.

STATE MILEAGE RATE FOR 2006

The commissioner of finance and administration has established a standard mileage rate for business purposes of 42 cents per mile for calendar year 2006, effective January 1, 2006. The new rate for business miles compares to the temporary rate of 46 cents per mile effective from September 19, 2005, through December 31, 2005, due to increased costs for operating personal vehicles. State of Tennessee travel policies can be viewed at http://tennessee.gov/finance/act/policy8.pdf.

Municipalities that reimburse officials and employees for business use of their automobiles based on the state rate should amend their travel policies to reflect the new rate.

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