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Hot Topic: Federal Mileage Rate Effective July 1, 2011

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Municipal Technical Advisory Service

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July 12, 2011

FEDERAL MILEAGE RATE EFFECTIVE JULY 1, 2011

Richard Phebus, Finance and Accounting Consultant

The Internal Revenue Service announced on June 23, 2011, a change in the optional standard mileage rate for the final six months of calendar year 2011. The optional rate may be used to reimburse employees for the use of personal vehicles in the course of business activities.

The rate changed to 55.5 cents per mile for all business miles driven on or after July 1, 2011, through December 31, 2011. This is an increase in the standard mileage rate of 51 cents per mile that was in effect beginning January 1, 2011.

You can go to IRS Revenue Procedure 2011-40 at <http://www.irs.gov/pub/irs-drop/a-11-40.pdf> for an electronic copy of the announcement.

Municipalities that reimburse employees for business use of their personal vehicles based on the federal optional standard rate should revise their travel policies to reflect this change if necessary. For those municipalities that reimburse employees for business use based on the state of Tennessee mileage rate, the current rate effective January 1, 2010, is 46 cents per mile.

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The Municipal Technical Advisory Service (MTAS) is a statewide agency of the University of Tennessee Institute for Public Service. MTAS operates in cooperation with the Tennessee Municipal League to provide technical assistance services to officials of Tennessee's incorporated municipalities. Assistance is offered in areas such as accounting, administration, finance, public works, ordinance codification, and water and wastewater management.

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