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Hot Topic: Federal Mileage Rate Effective January 1, 2010

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Municipal Technical Advisory Service

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December 15, 2009

FEDERAL MILEAGE RATE EFFECTIVE JANUARY 1, 2010

Richard Phebus, Finance and Accounting Consultant

The Internal Revenue Service announced on December 3, 2009, a change in the optional standard mileage rate for the calendar year beginning January 1, 2010. 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 50 cents per mile for all business miles driven after December 31, 2009. This is a reduction in the standard mileage rate of 55 cents per mile that was in effect for 2009. You can go to IRS Revenue Procedure 2009-54 at the IRS Web site (<http://www.irs.gov/pub/irs-drop/rp-09-54.pdf>) for an electronic copy.

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 July 1, 2009 is 51 cents per mile.

MUNICIPAL TECHNICAL ADVISORY SERVICE

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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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