



# TaxNewsFlash

## United States

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### **Notice 2016-79: Standard mileage rates, decrease for 2017**

The IRS today issued an advance version of Notice 2016-79 providing the standard mileage rates for taxpayers to use in computing the deductible costs of operating an automobile for business, charitable, medical, or moving expense purposes in 2017.

[Notice 2016-79](#) [PDF 13 KB] provides that beginning January 1, 2017, the standard mileage rates for the use of a car (also vans, pickups or panel trucks) will be:

- 53.5 cents per mile for business miles driven (down from 54 cents per mile for 2016)
- 17 cents per mile driven for medical or moving purposes (down from 19 cents per mile for 2016)
- 14 cents per mile driven in service of charitable organizations (no change)

#### **Depreciation-related calculation**

In addition to providing the standard mileage rates, Notice 2016-79 provides the amount taxpayers must use in calculating reductions to basis for depreciation taken under the business standard mileage rate, and the maximum standard automobile cost that may be used in computing the allowance under a fixed and variable rate (FAVR) plan.

For an automobile the taxpayer owns and uses for business purposes, 25 cents of the 53.5 cents per mile rate in 2017 is attributable to depreciation expense.

#### **Background**

The standard mileage rate for business is based on an annual study of the fixed and variable costs of operating an automobile; the standard rate for medical and moving purposes is based on the variable costs as determined by the same study. The mileage rate for charitable miles is set by law.

Taxpayers always have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rates. The business standard mileage rate can be used for an automobile that the taxpayer either owns or leases.

[Rev. Proc. 2010-51](#) [PDF 49 KB] provides the rules for computing the deductible costs of operating an automobile for business, charitable, medical, or moving expense purposes; states that the number of business miles for the year must be substantiated; and explains what substantiation will be acceptable. Taxpayers using the standard mileage rates must comply with Rev. Proc. 2010-51.

One important restriction imposed by Rev. Proc. 2010-51 is that the standard mileage business rate cannot be used for an automobile if previously:

- The automobile was depreciated using the accelerated depreciation rules under MACRS,
- A “bonus depreciation” deduction was claimed for the automobile in the year it was placed in service, or
- A section 179 election was made to expense all or part of the cost of the automobile in the year it was placed in service.

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