



TaxNewsFlash

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Rev. Proc. 2019-46: Business standard mileage rate rules reflecting 2017 tax law changes

The IRS today issued an advance version of Rev. Proc. 2019-46 that provides rules for using optional standard mileage rates to compute the deductible costs of operating an automobile for business, charitable, medical or moving expense purposes for those taxpayers whose use of an automobile for business purposes is not affected by a suspension of the miscellaneous itemized deduction under the 2017 tax law.

[Rev. Proc. 2019-46](#), [PDF 172 KB] also provides rules for substantiating the amount of an employee's ordinary and necessary expenses of local travel or transportation away from home for which the employer (or other payor) will reimburse the employee using a mileage allowance. Taxpayers are not required to use these substantiation methods, but may use actual allowable expenses if the taxpayers maintain adequate records or other sufficient evidence.

Background

A provision of the U.S. tax law enacted in 2017 (Pub. L. No. 115-97)—the law that is commonly referred to as the "Tax Cuts and Jobs Act" or (TCJA)—suspended the miscellaneous itemized deduction for most employees with unreimbursed business expenses, including the costs of operating an automobile for business purposes. The suspension applies for all miscellaneous itemized deductions that are subject to the 2% of adjusted gross income floor, including unreimbursed employee travel expenses, for tax years beginning after December 31, 2017, and before January 1, 2026.

Self-employed individuals and certain employees—including Armed Forces reservists, qualifying state or local government officials, educators, and performing artists—can continue to deduct unreimbursed business expenses during the 10-year suspension.

The TCJA also suspended the deduction for moving expenses. However, this suspension does not apply to a member of the Armed Forces on active duty who moves pursuant to a military order and incident to a permanent change of station.

Rev. Proc. 2019-46

With the release of Rev. Proc. 2019-46 today, the IRS has updated the rules for using the optional standard mileage rates in computing the deductible costs of operating an automobile for business, charitable, medical or moving expense purposes.

The revenue procedure provides that eligible taxpayers may use the business standard mileage rate (as published by the IRS annually) to substantiate the amount of a deduction related to an automobile that the taxpayer either owns or leases. The business standard mileage rate also may be used by taxpayers instead of actual fixed and variable costs of the automobile (e.g., maintenance and repairs, tires, gasoline, oil, insurance, etc.).

Rev. Proc. 2019-46 includes guidance on the deduction of parking fees, tolls, interest, taxes, and depreciation.

The guidance further provides that a taxpayer cannot use the business standard mileage rate to compute the deductible expenses of five or more automobiles that the taxpayer owns or leases and uses simultaneously (that is, in a fleet operation).

Rev. Proc. 2019-46 includes measures concerning the computation of the fixed and variable rate (FAVR) allowance—a mileage allowance using a flat rate or a stated schedule that combines fixed and variable rate payments. The standard automobile cost for a calendar year may not exceed 95% of the sum of: (1) the retail dealer invoice cost for a standard automobile in the base locality, and (2) the state and local taxes (or use taxes) on the purchase of the automobile. The IRS will provide the maximum standard automobile cost for a tax year in an annual notice.

Concerning substantiation of the amount of an employee's ordinary and necessary travel expenses reimbursed by an employer using the optional standard mileage rates, the revenue procedure provides that taxpayers are not required to use a method described in Rev. Proc. 2019-46 but may instead report their actual allowable expenses, provided the taxpayers maintain adequate records.

Read a related IRS release—[IR-2019-183](#) (November 14, 2019).

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