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DATE: December 14, 2011

TO: Chief Business Officials
Accounting Managers
K-12 School Districts and Community Colleges

FROM: Nancy Sheets, Director
District Fiscal and Administrative Services
Division of Administration and Business Services
(951) 826-6442 / FAX [951] 826-4457

SUBJECT: 2012 IRS Standard Mileage Rate

The Internal Revenue Service (IRS) has announced that the standard mileage rate will remain 55.5 cents per mile for 2012. More information is available on the IRS website at: http://www.irs.gov/newsroom/article/0,,id=250882,00.html. Information on the approved per diem rates is available on the IRS website at: http://www.irs.gov/pub/irs-pdf/p1542.pdf.

The IRS issues regulations relative to the tax implications for reimbursements of employee business expenses. The regulations define reimbursements of employee business expenses under an accountable plan or a non-accountable plan. How expenses are reimbursed under an accountable or non-accountable plan determines if the reimbursements are taxable, and subject to payment of social security, Medicare, and federal unemployment tax.

To be an accountable plan, employers must require an employee to meet all three of the following rules:

1. The employee expenses must be for a business purpose.
2. The employee must adequately account to the employer for these expenses within a reasonable period of time.
3. The employee must return any excess reimbursement within a reasonable time.

Amounts paid under an accountable plan must be either the actual expense incurred, supported by a receipt, or within the IRS rates. When using the approved rates, employees must substantiate the time, place, and business purpose of the travel expense. Amounts paid under an accountable plan are not taxable if adequate accounting is made and any excess is returned within a reasonable amount of time.

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A non-accountable plan of reimbursement is one that does not meet the three rules previously indicated. Amounts paid to an employee under a non-accountable plan are considered to be wages by the IRS. These amounts are taxable and reported as taxable income on the employee's W-2. **These amounts are also subject to payment of social security, medicare, and federal unemployment tax. If your district reimburses any employees under a non-accountable plan, please contact me at (951) 826-6442, or Carolyn Nielsen at (951) 826-6538.**

Should you have any questions, please feel free to contact me.

NS:mf
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Attachment

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IRS Announces 2012 Standard Mileage Rates, Most Rates Are the Same as in July

IR-2011-116, Dec. 9, 2011

WASHINGTON — The Internal Revenue Service today issued the 2012 optional standard mileage rates used to calculate the deductible costs of operating an automobile for business, charitable, medical or moving purposes.

Beginning on Jan. 1, 2012, the standard mileage rates for the use of a car (also vans, pickups or panel trucks) will be:

- 55.5 cents per mile for business miles driven
- 23 cents per mile driven for medical or moving purposes
- 14 cents per mile driven in service of charitable organizations

The rate for business miles driven is unchanged from the mid-year adjustment that became effective on July 1, 2011. The medical and moving rate has been reduced by 0.5 cents per mile.

The standard mileage rate for business is based on an annual study of the fixed and variable costs of operating an automobile. The rate for medical and moving purposes is based on the variable costs as determined by the same study. Independent contractor Runzheimer International conducted the study.

Taxpayers always have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rates.

A taxpayer may not use the business standard mileage rate for a vehicle after using any depreciation method under the Modified Accelerated Cost Recovery System (MACRS) or after claiming a Section 179 deduction for that vehicle. In addition, the business standard mileage rate cannot be used for more than four vehicles used simultaneously.

These and other requirements for a taxpayer to use a standard mileage rate to calculate the amount of a deductible business, moving, medical or charitable expense are in Rev. Proc. 2010-51.

Notice 2012-01 contains the standard mileage rates, the amount a taxpayer must use in calculating reductions to basis for depreciation taken under the business standard mileage rate, and the maximum standard automobile cost that a taxpayer may use in computing the allowance under a fixed and variable rate plan.

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Page Last Reviewed or Updated: December 09, 2011