

AMERICAN PAYROLL ASSOCIATION COMPLIANCE UPDATE

Business Standard Mileage Rate to Stay at 55.5¢ in 2012

The IRS has announced that the business standard mileage rate for transportation expenses paid or incurred beginning January 1, 2012, will be 55.5 cents per mile, unchanged from the rate in effect during the final six months of 2011 [Notice 2012-1, released 12-9-11; www.americanpayroll.org/members/Forms-Pubs/#perdiem].

The mileage rate may be used to compute the amount to reimburse employees who are using their own cars for business purposes. It may also be used by employers that elect to use the “cents-per-mile” valuation method for purposes of determining the amount that needs to be imputed to an employee’s income for personal use of certain company-owned or leased nonluxury vehicles (see *The Payroll Source*®, p. 3-22).

In addition, the 2012 standard rate for miles driven for medical or moving purposes will decrease to 23 cents per mile, down from the 23.5 cents-per-mile rate in effect during the final six months of 2011. Note, however, that the standard mileage rate for operating a passenger car for charitable purposes, which is set by law, will stay at 14 cents per mile in 2012.

Finally, for purposes of computing the allowance under a fixed and variable rate (FAVR) plan, the standard automobile cost may not exceed \$28,000 in 2012, up from \$26,900 in 2011. A FAVR allowance uses a flat rate or stated schedule that combines periodic fixed and variable rate payments, and it relieves employees of the need to keep a record of their actual expenses (see *The Payroll Source*®, p. 3-54).