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IRS Announce 2021 Standard Mileage Rates

Background

While there is no federal law requiring businesses to reimburse employees for their mileage some states like California do have reimbursement requirements for employee mileage. Mileage reimbursement can be a good way to attract and retain workers. As the COVID-19 vaccine becomes more widely available, employers should start to revisit how their operation will look in 2021 and if they will resume mileage reimbursement.

Summary

On December 22, 2020, the Internal Revenue Service (IRS) issued the 2021 standard mileage rates, which are used to calculate the deductible costs of operating an automobile (also van, pickup, or panel truck) for business, charitable, medical, or moving purposes. The new standard mileage rates began on January 1, 2021. The table below compares the 2020 and 2021 rates.

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Standard Mileage Rates

Purpose	2020 rate per mile	2021 rate per mile	Change from 2020
Business	57.5¢	56¢	- 1.5¢
<ul style="list-style-type: none"> • Medical • Moving purposes only for qualified active-duty members of Armed Forces 	17¢	16¢	-1¢
Charitable	14¢	14¢	Same

Note that the rate for “charitable” purposes is set by statute and therefore remains unchanged from 2020.

Under the [Tax Cuts and Jobs Act](#), taxpayers cannot claim a miscellaneous itemized deduction for unreimbursed employee travel expenses. Taxpayers also cannot claim a deduction for moving expenses, unless they are members of the Armed Forces on active duty moving under orders to a permanent change of station.

Employer Next Steps

- Continue to stay up to date with the most recent guidance from the IRS, and update your travel and expense policies accordingly.
- If you are a Full-Service or Virtual HR client and have questions regarding this e-Alert, please [email us](#).

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