STANDARD MILEAGE GUIDANCE UPDATED FOR THE TCJA

IRS news release IR-2019-183 and Rev. Proc. 2019-146 update the rules for using the optional standard mileage rate for business, charitable, and medical, or moving expenses. The updates reflect changes made by the TCJA.

Unreimbursed employee business expenses no longer deductible as itemized deductions

Prior to the TCJA, employees could use the optional standard mileage rate to compute unreimbursed employee business expenses for business use of an automobile. The TCJA suspended all "2%" miscellaneous itemized deductions from 2018 through 2025, including unreimbursed employee business expenses. Accordingly, employees may not use the optional standard mileage rate to compute a miscellaneous itemized deduction. Employees may not claim a miscellaneous itemized deduction for parking, tolls, etc.

Standard mileage rates still available to some taxpayers

Above-the-line deductions are still available for business use of an automobile. Reservists, performing artists, and fee-based government officials can continue to deduct qualifying expenses above-the-line. Self-employed taxpayers may also deduct auto expenses using actual expenses or the standard mileage rate These taxpayers may continue to use the standard mileage rate to compute deductions. As under pre-TCJA rules, the standard mileage rate continues to have a deemed depreciation component that reduces basis.

Reimbursement plans for employees

Although an employee may not deduct unreimbursed employee business expenses, the employee may still calculate expenses using the optional standard mileage rate in order to be paid or reimbursed by his or her employer for business use of an automobile under an accountable plan.

- The general rules for accountable plans still apply. That is, there must be a business connection for the expense and the expense must be substantiated. If the employer provides a mileage allowance, any excess reimbursement must be returned to the employer.
- Reimbursement arrangements that don't meet accountable plan requirements are paid under nonaccountable plans and must be included in employee's income.
- Employees may not claim deductions for automobile expenses that exceed employer reimbursements.

The revenue procedure provides examples of automobile expense reimbursement arrangements that do, and do not qualify as accountable plans.

Moving expenses

The TCJA also suspended the deduction for moving expenses from 2018 through 2025. The suspension does not apply to members of the Armed Forces on active duty who move pursuant to military orders because of a permanent change in duty station. Servicemembers may use the optional standard mileage rate to compute the automobile expense component of moving expenses.

Rev. Proc. 2019-46 is effective for expenses paid or incurred after November 14, 2019.

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