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charitable, medical or moving purposes.

Dec. 22, 2020



The Internal Revenue Service has released the 2021 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, 2021, the standard mileage rates for the use of a car (also vans, pickups or panel trucks) will be:

- 56 cents per mile driven for business use, down 1.5 cents from the rate for 2020,
- 16 cents per mile driven for medical or moving purposes for qualified active duty members of the Armed Forces, down 1 cent from the rate for 2020, and

- 14 cents per mile driven in service of charitable organizations, the rate is set by

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COVID-19 pandemic. A majority of the nation was subject to shelter in place orders and many businesses were unable to operate as they normally would, which reduced driving activity. National fuel prices are on pace to finish approximately 17% below the national average when compared to 2019 due to decreased travel and an oversupply of crude oil. Depreciation rates have also slowed, which was caused in part by vehicle inventory shortages associated with the pandemic production stoppages, and has led to increased residual vehicle value.”

It is important to note that 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. For more details see [Moving Expenses for Members of the Armed Forces](#).

Taxpayers always have the option of calculating the [actual costs](#) of using their vehicle rather than using the standard mileage rates.

Taxpayers can use the standard mileage rate but must opt to use it in the first year the car is available for [business use](#). Then, in later years, they can choose either the standard mileage rate or actual expenses. Leased vehicles must use the standard mileage rate method for the entire lease period (including renewals) if the standard mileage rate is chosen.

[Notice 2021-02](#) contains the optional 2021 standard mileage rates, as well as the maximum automobile cost used to calculate the allowance under a fixed and variable rate (FAVR) plan. In addition, the notice provides the maximum fair market value of employer-provided automobiles first made available to employees for personal use in calendar year 2021 for which employers may use the fleet-average valuation rule in or the vehicle cents-per-mile valuation rule.

“The COVID-19 pandemic forced business leaders to reevaluate their economic

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