

## IRS Increases Their Business Mileage Reimbursement Rate

If your employees drive for business purposes, a recent announcement from the IRS may affect your business.

Although the IRS had announced that the business mileage rate for 2008 would be 50.5 cents per mile, yesterday, the IRS determined that rapidly increasing gas prices warrant an increase in the mileage rate to 58.5 cents per mile. This increase goes into effect on July 1, 2008.

As most employers know, the IRS rate is a cap on the amount that an employer can reimburse an employee without tax ramification. However, Labor Code Section 2802 requires that employers reimburse their employees for out-of-pocket expenses incurred in the course of the job, including mileage. In California, the Division of Labor Standards Enforcement ("DLSE") consistently has taken the position that employers are properly reimbursing employees for mileage if the employer reimburses the employee at the IRS business mileage rate. Regulations pending since early 2007 reinforce this interpretation and may be passed any day.

In light of the IRS's announcement, the DLSE's position and the pending regulations, we recommend that employers review their mileage reimbursement policies to ensure that they are properly reimbursing their employees for mileage. Of course, if you have any questions on how this announcement can affect your business, please do not hesitate to contact us.

*If you have any questions regarding this client alert, please contact Beth Schroeder at 310.282.9400 or via email at [bschroeder@silverfreedman.com](mailto:bschroeder@silverfreedman.com).*