



December 12, 2014

TO: Business, Payroll, and Personnel Administrators
HRS District Coordinators
Los Angeles County School and Community College Districts
Charter Schools and Other Local Educational Agencies

FROM: April Reynolds, Payroll Systems Coordinator
District Personnel Information Services
Division of School Financial Services

SUBJECT: Year 2015 Federal Mileage Rate - 57.5 Cents

The Internal Revenue Services (IRS) has announced that effective **January 1, 2015**, the standard business mileage reimbursement rate for 2015 is increasing one and a half cent to **57.5 cents per mile**. This change was made effective with IR Rev. Proc. 2014-79 which may be found at the website: <http://www.irs.gov/>, under the "News & Events" tab.

Mileage reimbursements incurred on or after January 1, 2015, are eligible for the new rate. Additionally, medical and moving mileage rates are decreasing by one half-cent from 2014 rates, to 23.0 cents per mile.

If a district mileage rate is not greater than the standard IRS rate and if each payment is substantiated by a written employee mileage claim for business use of a personal automobile, the IRS considers each payment as made under an automobile plan and not reportable as taxable compensation on an employee's W-2 statement. However, if the IRS standard rate is exceeded, the excess is taxable compensation and is subject to W-2 reporting, withholding tax, and Social Security and Medicare taxes, if applicable to the employee.

Automobile Allowance/Mileage Allowance - AAL

An automobile or mileage **allowance** is a fixed amount paid to an employee for business use of a personal automobile. Allowances are **not** based on claims for actual miles driven, are **not** reimbursements and are **not** under an accountable plan. As a result, the entire amount of an automobile or mileage allowance is considered taxable compensation by the IRS and is subject to applicable employment taxes (withholding, Social Security and

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Medicare) and must be fully reported on employee W-2 statements.

The Human Resource System (HRS) permits use of earnings type AAL. If paid in HRS, AAL allowances are automatically included in employee W-2 statements and applicable taxes are applied to each payment.

Should you have any question regarding this bulletin, please contact me at (562) 922-6424 or via my e-mail at reynolds_april@laco.edu.

Approved:
Patricia Smith, Executive Director
Business and Finance

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