



December 30, 2020

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

FROM: April R. Casey, School Financial Systems and Services Manager
District Personnel Information Services
Division of School Financial Services

SUBJECT: Year 2021 Federal Mileage Rate – **56 Cents**

The Internal Revenue Service (IRS) has announced that effective **January 1, 2021**, the standard business mileage reimbursement rate is decreasing by 1.5 cents to **56 cents per mile**. This announcement was made on December 22, 2020 and is available here: <https://www.irs.gov/newsroom/irs-issues-standard-mileage-rates-for-2021>. Mileage reimbursements *incurred* on or after January 1, 2021, will be reimbursed at the new rate. Historical mileage rate information is available at: <https://www.irs.gov/tax-professionals/standard-mileage-rates>.

If a district mileage rate is:

1. Not greater than the standard IRS rate *and*
2. If each payment is substantiated by a written employee mileage claim for business use of a personal automobile

If both conditions are met, the IRS considers each payment as made under an accountable 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

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 Medicare) and must be fully reported on employee W-2 statements. Both the Human Resource System (HRS) and the Human Capital Management System (HCM) can accommodate this type of payment.

HRS: Users can utilize earnings type “AAL” for automobile allowances. If paid in HRS, AAL allowances are automatically included in employee W-2 statements and applicable taxes are applied to each payment.

HCM: The following are available to allow users to distinguish automobile allowances from actual mileage reimbursement:

MILEN – Non-taxable reimbursement of substantiated mileage

MILET – Taxable unsubstantiated reimbursement (automobile allowance).

Should you have any questions regarding this bulletin, please contact our payroll team at SFS_Payroll_Manager@lacoedu.edu.

Approved:
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