



August 12, 2022

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: Raymond M. Bribiesca, Payroll Systems Coordinator
District Personnel Information Services
Division of School Financial Services

SUBJECT: July-December 2022 Federal Mileage Rate – **62.5 Cents**

On June 9, 2022, the Internal Revenue Service (IRS) announced that effective **July 1, 2022**, the standard business mileage reimbursement rate increased by 4.0 cents to **62.5 cents per mile**. IR-2022-124 can be read in its entirety by following this link: <https://www.irs.gov/newsroom/irs-increases-mileage-rate-for-remainder-of-2022>.

When the two following conditions are met, funds received for mileage are not reportable as taxable compensation. The district's mileage rate must not be greater than the standard IRS rate *and* each payment is substantiated by a written employee mileage claim for business use of their personal automobile. The IRS considers each payment made under an accountable plan not reportable as taxable compensation on an employee's W-2 statement. However, if the IRS's standard rate is exceeded, the excess is considered taxable compensation and is subject to W-2 reporting, Social Security, Medicare and other taxes withholding, if applicable.

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.

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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.

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).

AAL – Auto Allowance

AALTX – Automobile Allowance - Not Flat Taxed

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

Approved:

Nkeiruka Benson, Director

Division of School Financial Services

RB:sm

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