

Update of 2018 Standard Mileage Rates Notice

Notice 2018-42

This notice modifies Notice 2018-03, 2018-2 I.R.B. 285 (released to the Public Dec. 14, 2017), in light of Public Law 115-97 (Dec. 22, 2017), which made amendments to §§ 67 and 217 of the Internal Revenue Code. Notice 2018-03 provided the optional 2018 standard mileage rates for taxpayers to use in computing the deductible costs of operating an automobile for business, charitable, medical, or moving expense purposes.

Section 3 of Notice 2018-03 identified a standard mileage rate of 54.5 cents per mile for all miles of business use (business standard mileage rate) that taxpayers were to use, including to deduct unreimbursed employee travel expenses as a miscellaneous itemized deduction under § 67. Public Law 115-97 (section 11045) suspends all miscellaneous itemized deductions that are subject to the two-percent of adjusted gross income floor under § 67, including unreimbursed employee travel expenses. This suspension applies to taxable years beginning after December 31, 2017, and before January 1, 2026. Thus, the business standard mileage rate listed in Notice 2018-03 cannot be used to claim an itemized deduction for unreimbursed employee travel expenses during the suspension. Notwithstanding the foregoing suspension of miscellaneous itemized deductions, deductions for expenses that are deductible in determining adjusted gross income are not suspended. For example, members of a reserve component of the Armed Forces of the United States, state or local government

officials paid on a fee basis, and certain performing artists are entitled to deduct unreimbursed employee travel expenses as an adjustment to total income on line 24 of Form 1040 (2017), not as an itemized deduction on line 21 of Schedule A of Form 1040 (2017), and therefore may continue to use the business standard mileage rate.

For the use of an automobile as a part of a move for which the expenses are deductible under § 217, section 3 of Notice 2018-03 provided a standard mileage rate of 18 cents per mile. For taxable years beginning after December 31, 2017, and before January 1, 2026, Public Law 115-97 (section 11049) suspends the deduction for moving expenses. This suspension does not apply to members of the Armed Forces of the United States on active duty who move pursuant to a military order and incident to a permanent change of station to whom § 217(g) applies. Thus, other than those to whom § 217(g) applies, the standard mileage rate is not applicable for the use of an automobile as part of a move occurring during the suspension.

Section 5 of Notice 2018-03 identified a maximum standard automobile cost of \$27,300 for passenger automobiles (excluding trucks and vans) and \$31,000 for trucks and vans for purposes of computing the allowance under a fixed and variable rate (FAVR) plan. Public Law 115-97 (section 13202), however, increases the depreciation limitations for passenger automobiles placed in service after December 31, 2017. As a result, the maximum standard automobile cost may not exceed \$50,000 for passenger automobiles (including trucks and vans) placed in service after December 31, 2017.

EFFECT ON OTHER DOCUMENTS

Notice 2018-03 is modified.

DRAFTING INFORMATION

The principal author of this notice is Bernard P. Harvey of the Office of Associate Chief Counsel (Income Tax and Accounting). For further information on this notice contact Bernard P. Harvey on (202) 317-7005 (not a toll-free call).