

M E M O R A N D U M

To: Personnel Management Liaisons

Date: October 25, 1988
Reference Code: 88-90

THIS MEMORANDUM SHOULD BE DISTRIBUTED TO:

**Accounting Officers
Employee/Labor Relations Officers
Personnel Officers**

From: Department of Personnel Administration

Subject: Reporting Mileage Reimbursements as Taxable Income

Effective January 1, 1989, the State will be reporting mileage reimbursements as taxable income when employees claim more than the Internal Revenue Service's (IRS) standard rate of 22.5 cents per mile.

Departments will be required to report mileage reimbursements that qualify as taxable income to the State Controller's Office (SCO). Mileage expenses incurred in 1988 and paid in 1989 will be reported as wages to the IRS. The SCO will be issuing reporting instructions to departments.

Employees will receive notification of the IRS reporting requirement with their payroll warrants for October 1988 (copy attached).

If you have any questions, please call Diane Hachey at (916) 324-9377 ATSS 454-9377. Employees with questions should contact their Accounting Office.

Questions regarding the filing of taxes or the IRS requirement that the State report these reimbursements as income should be directed to the IRS.



Anita G. Leach, Chief
Benefits Division

AGL:rd

Attachment

State of California

M E M O R A N D U M

To: ALL STATE EMPLOYEES

Date: October 31, 1988

From: Department of Personnel Administration
Office of the Director


Subject: Reporting Mileage Reimbursement to the Internal Revenue Service as Wages

The Internal Revenue Service (IRS) has instructed the State to report, as wages, all reimbursements for the use of personally-owned vehicles where the claim exceeds the IRS's standard mileage rate of 22.5 cents per mile. The State has agreed to comply with the IRS's instructions as described below.

Effective January 1, 1989 and thereafter the reporting of vehicle mileage reimbursements will be administered as follows:

- Employees who are reimbursed at the IRS's standard mileage rate (22.5 cents per mile) will not have that reimbursement reported as wages earned.
- For employees who are reimbursed in excess of the IRS's standard mileage rate, the State Controller will report on the employee's Form W-2 (Wage and Tax Statement) all mileage reimbursements as wages to the employee. Reporting will begin with the 1989 tax year.
- Employees, who are reimbursed in excess of the IRS's standard mileage rate, may file an IRS Form 2106 (Employee Business Expenses) with their tax returns to deduct vehicle expenses from their gross earnings. However, employees should be aware that if the itemized deductions for vehicle expenses are not accepted by the IRS, the employee will have to pay taxes on the unsubstantiated amount.

Employees who have questions regarding personally-owned vehicle use for business purposes may wish to refer to Department of the Treasury, Internal Revenue Service Publication No. 917 (Business Use of a Car) for additional information.


James D. Mosman
Director