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IRS Increases Mileage Rate for Remainder of 2022

Last week the Internal Revenue Service ("IRS") announced an increase in the standard mileage rate used to calculate employee mileage reimbursement for the remainder of 2022. The IRS normally updates the mileage rates once a year for the next calendar year and midyear rate changes like this are rare, but the IRS has authority to make such changes when it sees fit. The IRS identified the "recent increases in the price of fuel" as the reason for this update.

California Labor Code section 2802 requires employers to reimburse employees "for all necessary expenditures or losses incurred by the employee" in the discharge of his or her duties, or at the direction of the employer. This includes reimbursing employees for required use of their personal vehicle for business purposes. Use of the IRS mileage rate is optional, but the California Division of Labor Standards Enforcement ("DLSE") and California courts have stated that the IRS mileage rate satisfies the employer's obligation for reimbursement.

The revised standard mileage rates apply to the allowances or reimbursements paid (1) to an employee on or after July 1, 2022, and (2) for transportation expenses paid or incurred by the employee on or after July 1, 2022.

The adjusted rates are as follows:

Type	January 1, 2022 to June 30, 2022	July 1, 2022 to December 31, 2022
Business	58.5 cents per mile	62.5 cents per mile
Medical and moving	18 cents per mile	22 cents per mile

What This Means for Employers:

While this rate is used for computing deductible automobile operating costs for businesses, the rate is also approved as an optional rate for reimbursing employees for mileage incurred for business purposes as required under California law. Employers must ensure that starting **July 1, 2022** they use the new updated mileage rate for calculating mileage reimbursement for employees who use their vehicle for business purposes.

The goal of this article is to provide employers with current labor and employment law information. The contents should neither be interpreted as, nor construed as legal advice or opinion. The reader should consult with Barsamian & Moody at (559) 248-2360 for individual responses to questions or concerns regarding any given situation.

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