

August 14, 2000

Number: **INFO 2000-0225**

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The Honorable Leonard L. Boswell  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Mr. Boswell:

This letter is in response to your inquiry dated July 10, 2000. Your constituent is concerned that mileage reimbursements received by employees of non-profit organization are income to those employees. Your constituent believes such reimbursements would not be income to government or private sector employees.

The mileage reimbursement rules are the same for all employees, whether they work for a non-profit organization, the government, or the private sector. Reimbursed business expenses are not income to an employee if reimbursed under the rules imposed by the Income Tax Regulations. To be excluded from income, the reimbursed expenses must be deductible by the employee, subject to all the rules limiting that deduction. The reimbursement cannot exceed the amount of the expenses; if it does, the employer must require the employee to return the excess.

The standard mileage rate system is a convenient way to determine the amount of reimbursements. Taxpayers may calculate the value by mileage of using an automobile for business, moving, medical, or charitable purposes, without keeping records of actual expenses. But taxpayers must still keep records of the miles, time, place (or use), and purpose of mileage in order to substantiate the expenses. An employee may be reimbursed at the current business standard mileage rate of 32.5 cents per mile because the employee is incurring deductible business expenses.

I hope this information is helpful. If you have any questions, please call me or John T. Sapienza (Identification Number 50-6383) at (202) 622-4920.

Sincerely,

Associate Chief Counsel  
(Income Tax & Accounting)

By: \_\_\_\_\_  
Robert A. Berkovsky  
Chief, Branch 2