

IRS Announces 2025 Standard Mileage Rates and Vehicle Value Limitations

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IRS Notice 2025-5 (Dec. 19, 2024); IRS News Release IR-2024-312 (Dec. 19, 2024)

[Notice](#)

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The IRS has announced the optional 2025 standard mileage rates for business, medical, and other uses of an automobile, and the 2025 vehicle values that limit the application of certain rules for valuing an automobile's use. For 2025, the business standard mileage rate is 70 cents per mile (up from the 67-cent rate that applied during 2024). The rate when an automobile is used to obtain medical care—which may be deductible under Code § 213 if it is primarily for, and essential to, the medical care—is 21 cents per mile for 2025 (unchanged from 2024). The same 21-cent rate will apply for deducting automobile expenses that are moving expenses under Code § 217. For taxable years beginning after 2018 and before 2026, however, the moving expense deduction is available only for certain moves by members of the Armed Forces on active duty. The 2025 rate for charitable use of an automobile is 14 cents per mile (unchanged from 2024).

Standard mileage rates can be used instead of calculating the actual expenses that are deductible. For example, the business standard mileage rate can be used instead of determining the amount of fixed expenses (e.g., depreciation, lease payments, and license and registration fees) and variable expenses (e.g., gas and oil) that are deductible as business expenses. Only variable expenses are deductible as medical or moving expenses, so the medical and moving rate is lower. Parking fees and tolls related to use of an automobile for medical or moving expense purposes may be deductible as separate items. Fixed costs (e.g., depreciation, lease payments, insurance, and license and registration fees) are not deductible for these purposes and are not reflected in the standard mileage rate for medical care and moving expenses. These and other details about using the standard mileage rate can be found in Revenue Procedure 2019-46.

The Notice also sets the maximum vehicle values that determine whether the cents-per-mile rule or the fleet-average valuation rule are available to value the personal use of an employer-provided vehicle. The cents-per-mile rule determines the value of personal use by multiplying the business standard mileage rate by the number of miles driven for personal purposes. The fleet-average rule allows employers operating a fleet of 20 or more qualifying automobiles to use an average annual lease value for every qualifying vehicle in the fleet when applying the automobile annual lease valuation rule. For vehicles (including vans and trucks) first made available to employees for personal use in calendar year 2025, the maximum vehicle value under both rules is \$61,200 (down from \$62,000 in 2024). That amount will also be the maximum standard automobile cost for setting reimbursement allowances under a fixed and variable rate (FAVR) plan—an alternative to the business standard mileage rate that bases payments on

data derived from the geographic area where an employee generally pays or incurs the costs of driving an automobile in performing services as an employee.

EBIA Comment: Transportation expenses that are deductible medical expenses under Code § 213 generally can be reimbursed on a tax-free basis by a health FSA, HRA, or HSA. (To simplify administration, some employers' health FSAs or HRAs exclude medical transportation expenses from the list of reimbursable items.) The applicable reimbursement rate is the one in effect when the expense was incurred. For more information, see EBIA's Cafeteria Plans manual at Sections XX.L.8.b ("Mileage Rate for Traveling to Obtain Medical Care") and XX.M ("Table of Common Expenses, Showing Whether They Are for 'Medical Care'"). See also EBIA's Consumer-Driven Health Care manual at Sections XV.C ("What Is an HSA-Qualified Medical Expense?") and XXIV.B ("HRAs May Reimburse Only Code § 213(d) Expenses"), and EBIA's Fringe Benefits manual at Sections IV.F ("Employer Reimbursements for Business Use of an Employee's Car") and XVII.D.1.b ("Types of Expenses: Travel by Car").

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