mBurse

DATA SHEET

Mileage Reimbursement Rates

Cents-per-mile makes sense, but does your rate?

Since 1980, companies have been using mileage rates to reimburse their employees for the business use of their personal vehicles—a standard amount paid per mile traveled.

Challenges of Car Reimbursement

Conceptually, the mileage rate makes it easy to calculate vehicle reimbursements. Multiplying the reimbursement rate by the reported mileage yields the amount owed quickly and simply.

However, though the mileage rate seems simple on the surface, standard methods of mileage reimbursement present three fundamental challenges:

1. **How the mileage rate is calculated**
2. **What type of mileage log is being utilized**
3. **How mileage is logged during travel**

AT A GLANCE

If you have mobile employees, you must consider:

Organizations are unaware of the impact that auto reimbursement can have on their organization. Finding the appropriate balance between sufficient compensation and cost control can be difficult.

Utilizing the IRS mileage rate with the wrong mileage log gives employees incentive to drive more. The more employees drive, the more compensation they receive.

Utilizing self-reported mileage logs eschews the checks and balances needed to control costs, leading to the same problems.

mBurse uses a data-driven approach to enable organizations to evaluate and improve their reimbursement policies.

Contact mBurse for your free auto reimbursement benchmarking report.

An auto reimbursement plan must be able to **accurately compensate** a **variety** of employees.

If any of one of these factors is figured poorly, or not properly checked for accuracy, it can yield catastrophic effects, both for employees' time use and the organization's budget.

Many organizations use the IRS mileage rate to power their auto reimbursement policy. However, the IRS auto reimbursement rate is static and utilizes historical data. This rate is designed for tax-deduction purposes, not for mileage reimbursement. Using the IRS rate (or any flat rate) to reimburse mobile employees attempts to apply a one-size-fits-all rate solution to employees whose work situations and driving costs vary dramatically. Gas prices vary geographically and fluctuate over time. Different employees operate different types of vehicles, resulting in large cost variances in the operation of those vehicles.

Most importantly, using a standard mileage rate also tends to incentivize employees to drive more or report higher mileage. The IRS mileage rate is not transparent, nor is it a professional reimbursement tool. It is a tax tool, and shouldn't be used beyond that purpose. An auto reimbursement plan must be able to accurately compensate a variety of employees.

How Poor Mileage Logging Wastes Time and Money

The type of mileage log your organization utilizes will have a profound impact on your budget. For example, some organizations use a spreadsheet to log mileage. This relies on self reporting. Therefore, many employees—especially those with larger territories, or who take a lot of trips—will "guesstimate" their mileage, rather than calculating it properly. Not only does this provide inaccurate figures, most employees are not prone to underestimating their business mileage. This will lead to higher costs, cutting into your bottom line. Since spreadsheets are manual, rather than intuitive, they are unable to capture mileage accurately or to catch redundancies.

Not only will the wrong mileage capture process cut into your bottom line, it also cuts into your employees' time. If your mileage log doesn't integrate with your other business systems, or have at least some components of automation, then you're forcing your employees to engage in redundant, time-consuming administrative tasks. And the more time they spend on those tasks, the less time they spend in the field, doing their actual jobs. Therefore, these low-level but still important tasks should be integrated into your existing company systems and automated whenever possible, making them as quick and intuitive as possible.

If you do not address and update your mileage reimbursement policy and the tools that support it, there can be significant consequences for your organization. You could be inadvertently supporting behavior or activity that increases mileage logged or non- revenue generating activities, both of which will negatively impact your organization's top and bottom lines.

It is important to use a mileage capture tool that works accurately, provides transparency, and minimizes time spent on administrative tasks.

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