

H&R Block Urges IRS and Congress to Raise Mileage Deductions for Higher Gas Prices

June 16, 2008 5:39 PM ET

KANSAS CITY, Mo.--(BUSINESS WIRE)--June 16, 2008--Because of recent gasoline price increases, H&R Block (NYSE:HRB) is recommending the Internal Revenue Service consider raising automobile mileage deduction rates for business, medical or moving purposes and that Congress consider raising the rates for miles driven in service to charities.

H&R Block Chairman Richard Breeden suggested the adjustments in a letter to Henry Paulson, Secretary of the U.S. Treasury, as well as to the chairmen and ranking minority members of the Congressional tax-writing committees.

In the letter, Breeden notes that while H&R Block has not traditionally taken positions on tax policy, the company was suggesting this one-time acceleration in hopes the move would "benefit all Americans impacted by the extraordinary price increases in recent months."

Current deduction rates are 50.5 cents per mile for business use, 19 cents for medical or moving use, and 14 cents for charitable use. Since Nov. 27, 2007, when the IRS announced the 2008 optional standard mileage rates, nationwide gasoline prices have increased by more than 40 percent, from less than \$2.85/gal. to \$4.066 on June 12, 2008, based on data from the American Automobile Association (AAA). Prices in California average more than \$4.50 a gallon.

The optional business standard mileage rate is used as a safe harbor number to compute the deductible costs of operating an automobile for business use instead of using receipts to track actual costs. This rate is also used by the federal government and many businesses to reimburse their employees.

Breeden cited precedents for mid-year corrections in 2005 for business mileage rates set by the IRS. That year, the IRS raised the mileage reimbursement rate by nearly 20 percent from 40.5 cents a mile to 48.5 cents per mile, for all business miles driven from Sept. 1 to Dec. 31, 2005. The IRS normally updates the mileage rates once a year in the fall for the next calendar year.

Charitable deduction rates are set by statute. Congress more than doubled mileage rates for deductions or reimbursement in connection with Hurricane Katrina-related relief but the standard 14 cents per mile rate for vehicle use in connection with charitable purposes has not changed in a decade.

LETTER FROM RICHARD C. BREEDEN TO:

Hon. Henry M. Paulson, Jr.
Hon. Charles B. Rangel
Hon. Max Baucus
Hon. Jim McCrery
Hon. Charles E. Grassley

Dear Secretary Paulson, Chairmen Rangel and Baucus, and Ranking Members Grassley and McCrery:

Earlier this year, Congress and the Administration cooperated to create an economic stimulus plan that is providing financial payments to millions of hard-pressed consumers and strengthening the economy. The Internal Revenue Service has done an excellent job implementing the program, including communicating with tax preparers and welcoming our suggestions on implementation.

H&R Block, Inc. would like to suggest another area where bipartisan cooperation and IRS action could provide smaller, but still meaningful benefits this year for tens of millions of Americans. Our suggestion is to raise per mile deduction rates for business, medical, charitable and other qualifying uses of private automobiles immediately, rather than waiting until 2009 to adjust deduction rates. This change would simply recognize the reality of sharply higher gas prices, and partially mitigate their impact.

At present, the 2008 optional standard mileage rates for deductible use of vehicles for business is 50.5 cents per mile. For medical travel and moving purposes, the reimbursement rate is a much lower 19 cents pre mile. These rates were established in late 2007 when the price of regular gasoline was slightly less than \$2.85 per gallon. With nationwide average gas prices rising above \$4.00 per gallon (more than \$4.50 in California), deduction rates predicated on gas at \$2.85 are now seriously outdated compared with actual costs. The statutory mileage rate for use of automobiles in connection with charitable activities is only 14 cents a mile, and that rate has not been changed in approximately a decade. Needless to say, all of us wish we could buy gas today at only \$2.85 per gallon as the current deduction rates assume we can do.

We believe that the IRS should consider immediately exercising its power to increase the mileage rates for the remainder of 2008 to reflect current gas prices. There is precedent for a mid-year action to boost mileage rates. In 2005, the IRS made a special adjustment for business use from 40.5 cents a mile to 48.5 cents based on gas price increases for the final four months of the year. The 2005 increases at the pump were smaller than the increases we have already seen this year. Following Hurricane Katrina, Congress more than doubled both deduction and reimbursement rates on relief-related driving. In this situation, Congress could appropriately update the charitable use rates which have not been increased in many years.

These steps won't eliminate the impact on consumers of higher gasoline prices. Nonetheless, they will help mitigate cost increases for both businesses and families that otherwise act as a depressant on GDP. H&R Block does not traditionally seek to take positions on tax policy. However, we are suggesting this one-time acceleration in the normal deduction rate adjustment process in the hope that it is a practical and non-controversial step that would benefit all Americans impacted by the extraordinary price increases in recent months.

About H&R Block

H&R Block Inc. (NYSE:HRB) is the world's preeminent tax services provider, having served more than 400 million clients since 1955 and generating annual revenues of \$4 billion in fiscal year 2007. H&R Block provides income tax return preparation and related services and products via a nationwide network of approximately 13,000 company-owned and franchised offices and through TaxCut(R) online and software solutions. The company also provides business services through RSM McGladrey and certain consumer financial services. For more information visit our Online Press Center at www.hrblock.com.

CONTACT: H&R Block Inc.
Media Relations:
Nancy Mays, 816-854-4287
nmays@hrblock.com
or
Government Relations:
Robert Weinberger, 202-962-0075
rweinberger@hrblock.com

SOURCE: H&R Block Inc.