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## IRS Announces Enhanced Business Deductions for Remainder of 2022

**The IRS recently released enhanced business deductions for eligible taxpayers for the final six months of 2022. New rules have been put into place regarding the standard business mileage rate deduction, medical and moving driving deductions, and the business meal deduction.**

### Standard Business Mileage Rate Increase in Second Half of 2022

The IRS recently announced that it will increase the standard mileage rate for qualified business driving for the second half of 2022. While the cents-per-mile rate is adjusted annually by the IRS, this mid-year adjustment reflects the soaring cost of gasoline.

Beginning July 1, 2022, the standard mileage rate for business travel will be 62.5 cents-per-mile, up four cents from the 58.5 cents-per-mile rate effective for the first six months of the year. The IRS also announced an increased standard mileage rate for medical driving and moving for members of the military. The 14 cents-per-mile rate for charitable organizations remains unchanged as it is set by statute.

This rate is used by taxpayers who don't want to keep track of all their vehicle-related expenses. Instead of deducting your actual expenses, you may be able to use a standard cents-per-mile rate. With the standard mileage deduction, you don't have to account for all your actual expenses, although you still must record certain information such as the mileage for each business trip, the dates you drove, and the business purpose of the trip.

While fuel costs are a significant factor in the mileage figure, other items are included in the calculation of mileage rates, such as depreciation, insurance, and other fixed and variable costs.

"The IRS is adjusting the standard mileage rates to better reflect the recent increase in fuel prices," said IRS Commissioner Chuck Rettig. "We are aware a number of unusual factors have come into play involving fuel costs, and we are taking this special step to help taxpayers, businesses, and others who use this rate."

### Using a Blended Mileage Rate for the 2022 Tax Year

With the IRS announcement that the standard business rate will increase to 62.5 cents-per-mile for the last half of this year, taxpayers who use it will have to use a "blended rate" for 2022 to figure their deductions.

For example, let's assume that you drive 10,000 miles every six months on business. You also incur \$1,100 in related tolls and parking fees during the year. Based on the initial IRS rate, your deduction for business driving for the first six months of 2022 is \$5,850 (10,000 miles × 58.5 cents). However, you can deduct \$6,250 (10,000 miles × 62.5 cents) for business auto trips during the last six months of 2022. Thus, your total deduction is \$13,200 (\$5,850 + \$6,250 + \$1,100 tolls and parking fees).

There are additional rules that may prevent a taxpayer from using the standard cents-per-mile rate or the actual expenses method. For example, leased vehicles must use the standard mileage rate method for the entire lease period (including renewals) if the standard mileage rate is chosen for the first year.

### 2022 Medical and Moving Driving Rates

You can also use the standard mileage rate if you use your vehicle for medical reasons, and if you deduct medical expenses on your tax return. For example, you can include in medical expenses the amounts paid when you use a car to travel to doctors' appointments. The new rate for deductible medical expenses will be 22 cents-per-mile beginning July 1<sup>st</sup>, up from 18 cents-per-mile for the first six months of 2022

The rate for moving-expense driving (currently available only for active-duty members of the military) will also increase to 22 cents-per-mile beginning July 1<sup>st</sup>, up from 18 cents-per-mile. The rate for charitable driving, which can be amended only by Congress, remains unchanged at 14 cents-per-mile for the entire year.

### Mileage Rate Changes 2022

| Purpose        | Rates 1/1 - 6/30 | Rates 7/1 - 12/31 |
|----------------|------------------|-------------------|
| Business       | 58.5 cents       | 62.5 cents        |
| Medical/Moving | 18 cents         | 22 cents          |
| Charitable     | 14 cents         | 14 cents          |

Source: Internal Revenue Service

### 2022 Enhanced Business Meal Deduction

For 2021 and 2022 only, businesses can generally deduct 100% of the cost of business-related food and beverages purchased from a restaurant. The deduction limit has historically been 50% of the cost of the meal.

### Qualifying for the Enhanced Business Meal Deduction

You must meet the following requirements in order to qualify for the enhanced business meal deduction:

- The business owner or an employee of the business must be present when food and/or beverages are provided.
- The food or beverages are provided to the business owner, their employee, or a business associate.

- Meals must be from "restaurants," which are defined as businesses that prepare and sell food or beverages to retail customers for immediate on- or off-premises consumption (grocery stores and employer-sponsored eating facilities are not counted as restaurants for the purposes of this deduction).
- The expense cannot be lavish or extravagant.
- Payment or billing for the food and beverage occurs after December 31, 2020, and before January 1, 2023.

### **Qualifying Costs for the Business Meal Deduction**

Eligible costs for purposes of the business meal deduction include the cost of the meal and beverages plus taxes and tips. The cost of transportation to and from the meal, however, isn't part of the cost of a business meal.

Generally, meals and beverages provided at entertainment events (i.e., concerts, football games) aren't deductible business meals. However, business owners may be able to deduct the costs of meals and beverages provided during an entertainment event if either of the following requirements are met:

- They purchase the food and beverages separately from the entertainment.
- The cost of the food and beverages is separate from the cost of the entertainment on one or more bills, invoices, or receipts.

Additionally, businesses should review the special recordkeeping rules that apply to business meals.

## **Questions about the 2022 Enhanced Business Deductions?**

We encourage you to [contact your Seiler advisor](#) at 888.454.4646 for guidance on which enhanced deductions apply to your personal or business tax returns.

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