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Statement of Position Car Allowance and Mileage Reimbursement

Minnesota law authorizes public entities to compensate or reimburse their employees for the employees' use of personal vehicles on official business.¹ It allows governing bodies to pay a mileage allowance or to pay a monthly or periodic allowance, but not both.²

If the local governing body decides to reimburse its employees with a mileage allowance, Minnesota law allows the governing body to set a per-mile rate. As a practical matter, any mileage rate set by a governing body should be set at or less than the IRS standard mileage rate in order to avoid unintended taxable income and additional paperwork.

Effective January 1, 2015, the standard IRS mileage rate for the business use of a personal automobile is **57.5 cents per mile**.

Paying both a mileage allowance and a periodic allowance creates a situation of noncompliance with State law. Until there is authority to the contrary, such as a Minnesota Attorney General's Office opinion, the Office of the State Auditor will comment on this noncompliance whenever an employer is paying both forms of compensation to an employee for the use of a personal vehicle.

The IRS announced [2015 Standard Mileage Rates](#), effective January 1, 2015.

¹ Minn. Stat. § 471.665.

² *Id.*

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This Statement of Position is not legal advice and is subject to revision.