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Description of document: Internal Revenue Service (IRS) final report from contract GS1 OF0058J (also designated as Award ID TIRN014T00022) by Runzheimer International Ltd to study vehicle mileage costs, 2018

Requested date: 23-November-2018

Release date: 22-March-2019

Posted date: 08-July-2019

Source of document: IRS FOIA Request
HQ FOIA
Disclosure Central Processing Unit
Stop 211
PO Box 621506
Atlanta, GA 30362-3006
Fax: 877-807-9215

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PRIVACY, GOVERNMENTAL
LIAISON AND DISCLOSURE

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

March 22, 2019

This is our final response to your Freedom of Information Act (FOIA) request dated November 23, 2018 that we received on November 29, 2018.

You asked for **“A copy of the final report from contract GS1 OF0058J (also designated as Award ID TIRN014T00022), award by the IRS to Runzheimer International to study vehicle mileage costs.”**

Of the 20 pages located in response to your request, I am enclosing 20 pages. I am withholding 19 pages in part for the following reason(s):

FOIA exemption (b)(4) protects trade secrets and commercial or financial information obtained from a person that is privileged or confidential.

FOIA exemption (b)(6) exempts from disclosure files that, if released, would clearly be an unwarranted invasion of personal privacy. These include medical, personnel, and similar files. We base the determination to withhold on a balancing of interests between the protection of an individual’s right to privacy and the public’s right to access government information.

The Supreme Court ruled that Congress intended the “similar files” provision to be construed broadly, so that all information which applies to a particular individual qualifies for consideration under exemption (b)(6).

The redacted portions of each page are marked by the applicable FOIA exemptions. This constitutes a partial denial of your request.

You may contact me, the FOIA Public Liaison, John Carpenter, to discuss your request at:

135 High Street
Hartford, CT 06103

Telephone: 860-594-9012

The FOIA Public Liaison responds to FOIA and Privacy Act requests for copies of documents maintained by the IRS. There is no provision in either Act to resolve tax, collection, or processing issues and our staff is not trained to answer questions regarding those issues. If you need assistance with tax related issues you may call the IRS toll free number at 1-800-829-1040.


You may also wish to contact the Office of Government Information Services (OGIS), the Federal FOIA Ombudsman's office, which offers mediation services to help resolve disputes between FOIA requesters and Federal agencies. The contact information for OGIS is:

Office of Government Information Services
National Archives and Records Administration
8601 Adelphi Road--OGIS
College Park, MD 20740-6001
202-741-5770
877-684-6448
ogis@nara.gov
ogis.archives.gov

You have the right to file an administrative appeal within 90 days of the date of this letter. By filing an appeal, you preserve your rights under FOIA and give the agency a chance to review and reconsider your request and the agency's decision. I've enclosed Notice 393, *Information on an IRS Determination to Withhold Records Exempt From the Freedom of Information Act - 5 U.S.C. 552*, to explain your appeal rights.

If you have any questions please call Francisca Eyetsemitan, ID # 1000591343, at 617-316-2271 or write to: Internal Revenue Service, Centralized Processing Unit – Stop 211, P.O. Box 621506, Atlanta, GA 30362. Please refer to case number F19334-0025.

Sincerely,



John A Carpenter
Disclosure Manager
Disclosure Office 01

Enclosures (2)
Responsive Documents
Notice 393



An Affiliate of Motus, LLC

Optional Standard Mileage Rate, FINAL Report

Prepared for
Internal Revenue Service

Submitted
November 6, 2018

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1 Runzheimer Parkway
Waterford, WI 53185
1-800-558-1702
www.runzheimer.com

Contact:

(b)(6)

Dunn and Bradstreet 063506760
MOBIS GS-10F-0058J

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(b)(4)

EXECUTIVE SUMMARY

The Internal Revenue Service (IRS) provides a national mileage rate that may be used by taxpayers to compute the deductible costs of operating passenger vehicles for business purposes. Use of this rate is an option to taxpayers in place of actual operating and fixed costs attributed to the business use of their passenger vehicles. As specified under contracts TIRNO-14-T-00022 and TIRNO-14-E-00013 with the IRS, Runzheimer International Ltd, an affiliate of Motus LLC, has undertaken an analysis of vehicle costs to produce a recommended "Optional Standard Mileage Rate" for personally-owned vehicles used for business purposes.

Recommendation

Runzheimer recommends that the Internal Revenue Service implement a business standard mileage rate of 58.0¢ per mile for the 2019 tax year (rounded from 58.09¢), which is an increase of 3.5¢ from the 2018 tax year rate of 54.5¢ per mile published in January 2018.

Significant Changes

The 3.5¢ recommended increase in the business standard mileage rate from 54.5¢ per mile in 2018 to 58.0¢ per mile for 2019 is explained by these changes in vehicle cost factors:



(b)(4)

Optional Standard Mileage Rate Report

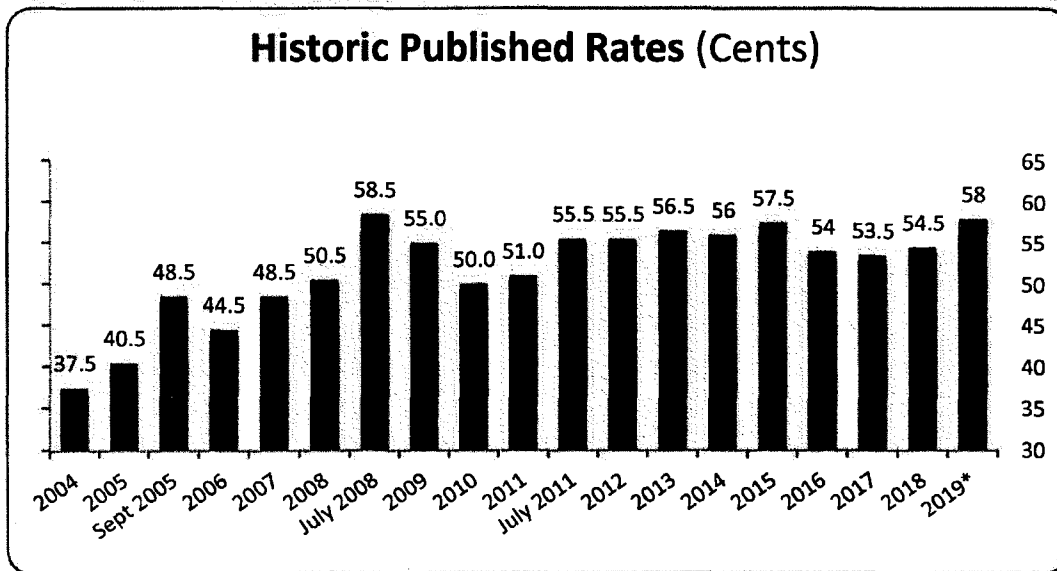
OVERVIEW

Background

The Internal Revenue Service (IRS) provides a national mileage rate used by taxpayers to compute the deductible costs of owning and operating passenger vehicles for business purposes. This rate is an option to taxpayers in place of using actual operating and fixed costs attributed to the business use of their passenger vehicles.

As specified under current contracts TIRNO-14-T-00022 and TIRNO-14-E-00013, Runzheimer International Ltd, an affiliate of Motus LLC, has undertaken an analysis of vehicle costs to produce a recommended "Optional Standard Mileage Rate." Runzheimer has produced this rate every year since 1980 for the Internal Revenue Service (IRS). Chart 1 shows published rates dating back to 2004.

Chart 1 – Historic Rates



*Recommended rate

In past years, various changes have been made to the cost model to reflect changing market conditions. For example, vehicle categories used to develop the national standard mileage rate have occasionally changed

[Redacted]

(b)(4)

Runzheimer continues to recommend improvements to the cost model to better reflect the current nature of evolving market conditions. Any additional changes representing minor impacts are further explained in the body of this report. This report compares the basis for the rate produced in 2017 (effective 1 January 2018 for tax year 2018) with the rate produced in 2018 (effective 1 January 2019 for tax year 2019).

(b)(4)

Optional Standard Mileage Rate Report

Cost Model Parameter Change Summary

The following table summarizes changes to parameters used in our cost model, such as the

[Redacted] (b)(4)
 [Redacted] This table is not intended to show the summary of resulting cost changes, only parameter changes. For a summary of cost changes please refer to Table 3.

Table 1 – Cost Parameter Changes

Vehicle Size	No change	Report text
Vehicle Makes and Models	[Redacted]	Report text
Weighting	No change	Chart 2, Attach. B
Retention Cycle	No change	Report text
Territory Class	No change	Report text
Fuel	No change	Table 4, Chart 3
MPG	No change	Table 5
Maintenance	No change	Table 6
Tires	No change	Table 7
Insurance	No change	Table 8
Registration	No change	Table 9
Annual Vehicle Cost	No change	Table 10

METHOD

In this section we provide an overview of the methods used to generate vehicle costs. We begin by describing primary process steps. We then provide an overview of the variable and fixed cost components used in our model.

Development of the Cost Model

In support of the methods requested in the Statement of Work, key process steps for developing the cost model include:

1. Runzheimer determines the cost of owning and operating a "model" passenger vehicle deemed representative of all sizes and types used nationwide. We group similar vehicle sizes and types into categories (e.g., sub-compacts, pickups, etc.). For each category, Runzheimer identifies and selects

[Redacted]

(b)(4)
(b)(4)

2. Runzheimer then produces state average vehicle costs for

[Redacted]

(b)(4)
(b)(4)

3. After we calculate a composite vehicle cost for each state, Runzheimer applies

[Redacted]

(b)(4)
(b)(4)

4. The cost items Runzheimer considers in determining the mileage rate of the model vehicle are *variable* expenses of fuel, maintenance and tires, and *fixed* costs of insurance, registration and annual vehicle cost (which covers depreciation). These calculations

[Redacted]

(b)(4)

[Redacted] We list the specific parameters used for each expense component (for example, insurance coverages and deductible amounts) in the following sections.

(b)(4)

Optional Standard Mileage Rate Report

Variable Costs

Variable costs are costs that vary based on the amount of miles driven. Variable costs used in our model include fuel, maintenance, and tires.

[Redacted]

(b)(4)

A. Fuel cost per mile is calculated using a series of cost components. To determine fuel per mile costs we incorporate:

a. **Fuel Cost** – The cost of fuel is derived from

[Redacted]

b. **Miles-per-gallon** - The miles-per-gallon standard is based

[Redacted]

c. **Fuel Per Mile Cost** – Fuel per mile costs are determined by

[Redacted]

(b)(4)

B. Maintenance per-mile costs cover the expense of vehicle maintenance in each state and include

[Redacted]

(b)(4)

(b)(4)

C. Tires per-mile costs cover the expenses of

[Redacted]

(b)(4)

(b)(4)

Optional Standard Mileage Rate Report

Fixed Costs

Fixed costs are costs that generally do not change based on the amount of miles driven.

Fixed costs include insurance, registration, and annual vehicle cost (depreciation)

[Redacted]

(b)(4)
(b)(4)

A. Runzheimer computes insurance costs based

[Redacted]

(b)(4)

[Redacted]

(b)(4)

B. Registration cost covers

[Redacted]

(b)(4)
(b)(4)

C. Annual vehicle cost, also referred to as the depreciation cost component, is calculated as a

[Redacted]

[Redacted]

(b)(4)
(b)(4)

Optional Standard Mileage Rate Report

VEHICLES

[Redacted]

(b)(4)

Runzheimer determines the cost of owning and operating a "model" passenger vehicle deemed representative of all sizes and types used nationwide including automobiles, ranging from sub-compacts to intermediate and luxury cars; and other passenger vehicles, including minivans, pickups, and sport utility vehicles [Redacted]

(b)(4)

[Redacted] Runzheimer notes that sizes and types of vehicles have varied over the years and may vary in the future as circumstances warrant. The size categories for the vehicles are:

(b)(4)

Automobiles
Subcompact
Compact
Intermediate
Luxury

Other Passenger Vehicles
Minivan
Sport Utility Vehicle (small)
Sport Utility Vehicle (large)
Pickup Truck

For each make and model we provide the [Redacted]

(b)(4)

[Redacted]

(b)(4)

Selected Vehicles

Subcompact

[Redacted]

(b)(4)

Compact

[Redacted]

(b)(4)

Intermediate

[Redacted]

(b)(4)

Optional Standard Mileage Rate Report

Sport Utility Vehicle (SUV – Large)

[Redacted]

(b)(4)

Sport Utility Vehicle (SUV – Small)

[Redacted]

(b)(4)

Luxury

[Redacted]

(b)(4)

Minivan

[Redacted]

(b)(4)

Pickup Truck

[Redacted]

(b)(4)

Vehicle Registrations

Table 2 shows the number of vehicle registrations

[Redacted]

(b)(4)

[Redacted]

(b)(4)

Optional Standard Mileage Rate Report



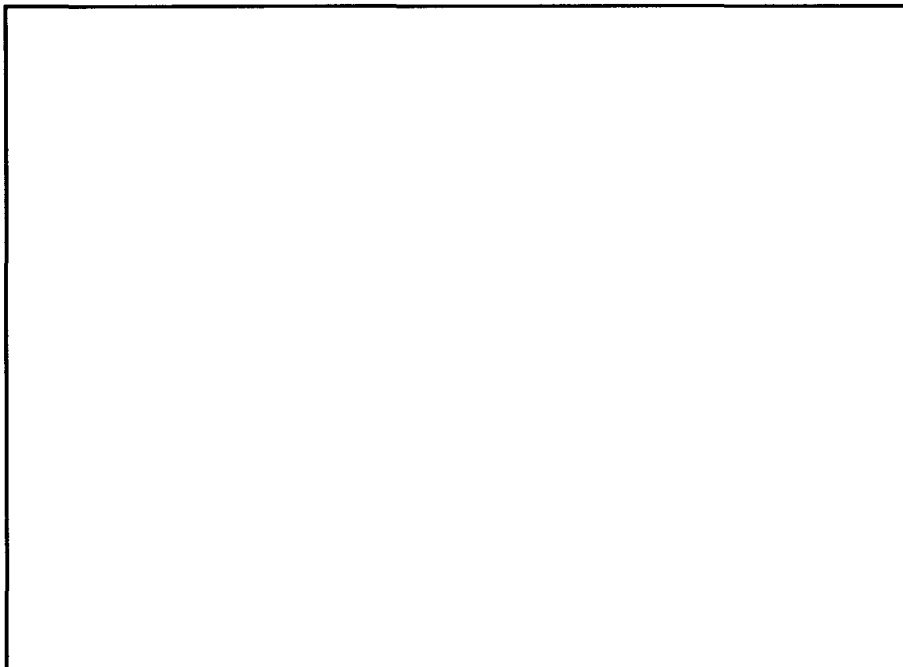
(b)(4)

Table 2 – Vehicle Registrations

Subcompact	
Compact	
Intermediate	
Luxury	
Minivan	
Pickup	
SUV Small	
SUV Large	
Total	

Chart 2 shows the weighting of vehicle categories used in the model based on the percentage of 2018 registrations.

Chart 2 – Weighting of Vehicle Categories



VEHICLE COMPONENT COSTS

In this section we show the cost figures resulting from our analysis. We also provide a summary of cost changes followed by detailed results for all cost components.

Summary

Comparing vehicle cost results for the "composite" vehicle from 2017 and 2018, we find the following:

Table 3 – Vehicle Cost Summary

Fuel	(b)(4)
Maintenance	
Tires	
Insurance	
Registration	
Annual Vehicle Cost	
Total	

In Table 3 we see relatively

(b)(4)
(b)(4)

Optional Standard Mileage Rate Report

Fuel
Fuel Prices

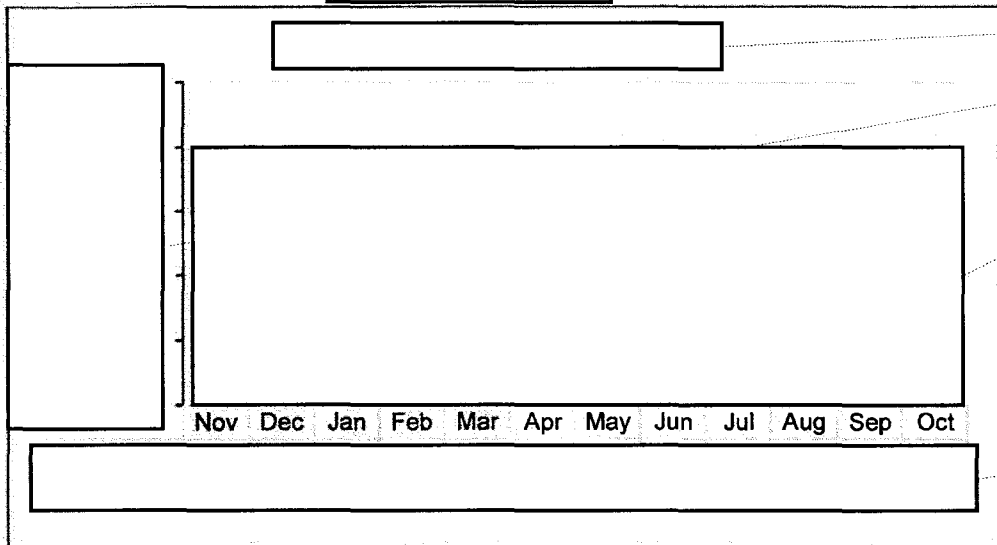
Average fuel prices increased to [redacted] last year. Monthly fuel price differences range from a [redacted]. The overall result is an [redacted] throughout our measurement timeframe. Fuel prices ranged from a low of [redacted].

Table 4 – Fuel Prices

Month	Price	Price	Price	Price
November	\$	\$	\$	\$
December	\$	\$	\$	\$
January	\$	\$	\$	\$
February	\$	\$	\$	\$
March	\$	\$	\$	\$
April	\$	\$	\$	\$
May	\$	\$	\$	\$
June	\$	\$	\$	\$
July	\$	\$	\$	\$
August	\$	\$	\$	\$
September	\$	\$	\$	\$
October	\$	\$	\$	\$
Average	\$	\$	\$	\$

In the following chart we graphically depict fuel prices listed in Table 4 above. The tan bars plot fuel prices [redacted]. The red data points display historic fuel prices for the prior 12 month period.

Chart 3 – Average Fuel Prices, [redacted]



Optional Standard Mileage Rate Report

Fuel Cost per Mile

Fuel cost per mile is determined by

[Redacted]

(b)(4)
(b)(4)

Table 5 – Fuel Costs

[Redacted]	
Fuel Price per Gallon	[Redacted]
Standard Miles Per Gallon	[Redacted]
Fuel Cost per Mile	[Redacted]

(b)(4)

(b)(4)

Maintenance

Runzheimer develops maintenance costs based upon

[Redacted]

(b)(4)
(b)(4)

Table 6 – Maintenance

[Redacted]	
Maintenance	[Redacted]

(b)(4)

(b)(4)

Tires

This item covers the costs of purchasing all season, steel-belted radial replacement tires, repairs, rotations, balancing and labor. It is the result of Runzheimer's

[Redacted]

(b)(4)
(b)(4)

Table 7 – Tires

[Redacted]	
Tires	[Redacted]

(b)(4)

Optional Standard Mileage Rate Report

Insurance

Runzheimer computes insurance costs for all States based on rate information from [redacted]

[redacted]

(b)(4)
(b)(4)

Table 8 – Insurance

Insurance	[redacted]
-----------	------------

(b)(4)

Registration

This item covers average annual state registration, certificate of title and state inspection fees where applicable. Although the average per mile cost [redacted]

[redacted]

(b)(4)

(b)(4)

Table 9 – Registration

Registration	[redacted]
--------------	------------

(b)(4)

Annual Vehicle Cost

The Annual Vehicle Cost component reflects depreciation - the average annual decrease in vehicle value from the time it was new until the end of the program retention cycle. Steps for the calculation of this cost component are:

1. The capitalized cost [redacted] (b)(4)
[redacted] (b)(4)
2. Runzheimer projects the used car residual value [redacted] (b)(4)
[redacted] (b)(4)
3. The residual value is then subtracted from the final vehicle price [redacted] (b)(4)
[redacted] (b)(4)
4. Lastly, the average annual depreciation amount is divided by [redacted] (b)(4)
[redacted] (b)(4)

Vehicle Capital Cost

Chart 4 displays the shift in composite vehicle capital costs used in our model since 2003. As the data show, the capital cost [redacted]

[redacted]

(b)(4)
(b)(4)

Optional Standard Mileage Rate Report

[Redacted]

(b)(4)

Chart 4 – Vehicle Capital Costs

Average Vehicle Cost

Current

2003



(b)(4)

[Redacted]

(b)(4)

Annual Vehicle Cent per Mile Cost

Table 10 shows an [Redacted] the annual vehicle cost component from [Redacted]

(b)(4)

(b)(4)

[Redacted]

The IRS maintains the requirement that residual values may not be [Redacted]

(b)(4)

(b)(4)

[Redacted]

Table 10 – Annual Vehicle Cost

[Redacted]

Annual Vehicle Cost

[Redacted]

(b)(4)

RECOMMENDATION

Runzheimer recommends that the Internal Revenue Service implement a business standard mileage rate of 58.0¢ per mile for the 2019 tax year rate, which is an increase of 3.5¢ from the 2018 tax year rate of 54.5¢ per mile published in January 2018.

ATTACHMENT A

Runzheimer Standard Cost Vehicle Schedule

Client: Internal Revenue Service
Date: 11/6/2018
Vehicle:
Territory:
Territory Class:

(b)(4)

Standard Cost Summary

A. Operating Cost per Mile
B. Fixed Cost per Mile
Total Cost per Mile

¢
¢
¢

(b)(4)

A. Operating Cost Standards

- 1. Standard Miles per Gallon
- 2. Normal Fuel Price per Gallon
- 3. Fuel per Mile
- 4. Maintenance per Mile
- 5. Tires per Mile

¢
¢
¢
¢

(b)(4)

(b)(4)

Total Operating Cost per Mile

¢

(b)(4)

B. Annual Fixed Cost Standards

6. Insurance

\$

(b)(4)

(b)(4)

7. Registration

\$

(b)(4)

8. Annual Vehicle Cost

\$

(b)(4)

(b)(4)

Total Fixed Cost

\$

(b)(4)

Total Fixed Cost per Mile

¢

(b)(4)

ATTACHMENT B

(b)(4)

(b)(4)

ATTACHMENT C

2019 Tax Year Report Summary

The Internal Revenue Service (IRS) provides a national mileage rate that may be used by taxpayers to compute the deductible costs of operating passenger vehicles for business purposes. Use of this rate is an option to taxpayers in place of actual operating and fixed costs attributed to the business use of their passenger vehicles. As specified under contracts TIRNO-14-T-00022 and TIRNO-14-E-00013 with the IRS, Runzheimer International Ltd, an affiliate of Motus LLC, has undertaken an analysis of vehicle costs to produce a recommended "Optional Standard Mileage Rate" for personally-owned vehicles used for business purposes.

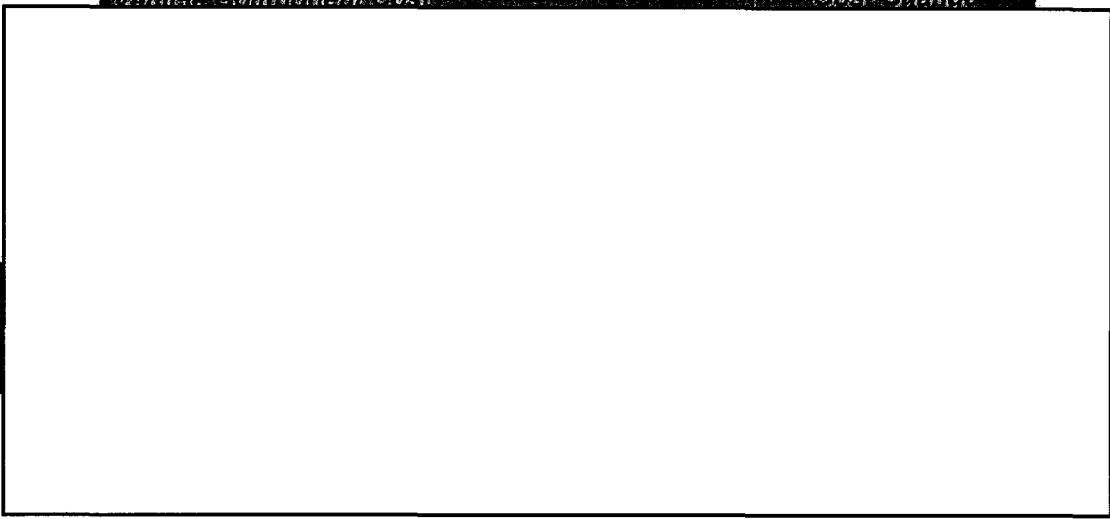
Recommendation

Runzheimer recommends that the Internal Revenue Service implement a business standard mileage rate of 58.0¢ per mile for the 2019 tax year (rounded from 58.09¢), which is an increase of 3.5¢ from the 2018 tax year rate of 54.5¢ per mile published in January 2018.

Significant Changes

The 3.5¢ recommended increase in the business standard mileage rate from 54.5¢ per mile in 2018 to 58.0¢ per mile for 2019 is explained by these changes in vehicle cost factors:

Vehicle Type (City/State/Rate) | Total City/State/Rate



(b)(4)