

CHARLES E. SCHUMER
NEW YORK

COMMITTEES:

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JUDICIARY

RULES

United States Senate

WASHINGTON, DC 20510

September 8, 2005

Dear Colleague,

I will soon be introducing a proposal to help the millions of Americans who use their personal vehicles for business, charitable, or other purposes, and who are being squeezed by record-high gas prices. My common-sense bill will temporarily increase the various mileage deductions to a level that more accurately reflects the true cost of driving.

As you may know, the Internal Revenue Service decides every year how much taxpayers are allowed to deduct for their travel expenses. For 2005, taxpayers can deduct 40.5 cents per mile for business use of a car and 15 cents a mile for medical or moving expenses. In addition, when a personal vehicle is used to provide charitable services, taxpayers are allowed to deduct 14 cents per mile. This deduction is set by law and has not increased since 1997. My proposal would set the mileage deduction at 60 cents per mile for all uses – business, medical, moving, and charity – from September 1, 2005 through December 31, 2006.

According to the American Automobile Association, the current mileage deductions fall significantly short of the actual costs per mile that Americans face, particularly in the light of record gas prices. The AAA says that for an average car driven 15,000 miles a year, the true cost is closer to 56 cents a mile, once all operating and ownership costs are included. This is before Hurricane Katrina raised fuel costs even more. My proposal for 60 cents a mile reflects the AAA's estimate, plus an additional 4 cents per mile to reflect the spike in prices since last week's events.

My bill will thus help the millions of self-employed who have no choice but to use their cars for work – but it will also help those workers who get reimbursed directly by their companies for business-related travel. According to a recent report by the Business Travel Coalition, 78 percent of the corporations, universities, and government entities surveyed establish their reimbursement rate based on the IRS formula. If the rate is increased to 60 cents, most of these institutions will follow suit.

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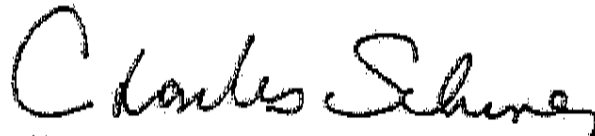
My proposal will also help those who use their personal vehicles for charitable purposes, or those who have significant moving or medical expenses. In my view, it makes logical sense that all of these categories should receive the same deduction. There's no reason that business miles should be treated so much differently than miles driven to help a charity, move for a new job, or travel to the doctor's office.

For federal employees, my bill also instructs the General Services Administration to raise their reimbursement rate to 60 cents for the same time period. While GSA usually increases its rate to match the IRS rate, nothing is certain. This part of my bill will prevent federal employees from being reimbursed at 40.5 cents per mile, while private sector employees receive 60 cents.

I believe that this is a simple and sensible proposal that all of us, regardless of party, should support. It helps entrepreneurs and the self-employed; it helps those who use their cars for company travel; it helps those who are volunteering their services to a charity; and it helps those with significant medical expenses.

I hope that you will support my bill. Please call Jeff Harmond of my staff at 4-4422 if you wish to cosponsor. We will let you know as soon as a bill number is available.

Sincerely,



Charles E. Schumer