



**STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT**

PAT MCCRORY
GOVERNOR

LEE HARRISS ROBERTS
STATE BUDGET DIRECTOR

January 8, 2016

MEMORANDUM

TO: Department Heads and Chief Fiscal Officers

FROM: Lee Harriss Roberts
State Budget Director

A handwritten signature in black ink, appearing to read "Lee Harriss Roberts".

RE: Change in IRS Mileage Rate

Effective January 1, 2016, the Internal Revenue Service (IRS) will decrease the business standard mileage rate from 57.5 cents per mile to 54 cents per mile based on an annual study of the fixed and variable costs of operating an automobile. Accordingly and pursuant to G.S. 138-6(a)(1), the Office of State Budget and Management will adjust the allowable rate of reimbursement for travel by officers and employees on official state business that operate from funds deposited with the State Treasurer.

The Travel Policies and Regulations section of the Budget Manual has been updated to reflect the new IRS mileage rate of 54 cents per mile. In addition, the Travel Policies and Regulations section has been revised to address availability of a new state term contract with private rental car companies as State Motor Pool operations are phased out later this month. Please review your department's budget and travel policies to ensure that they are consistent with the revised Section 5.1.26 and new section 5.1.27 of the Budget Manual as follows:

5.1.26 Transportation by Personal Vehicle

It is the intent of the State that state employee travel shall be conducted in the most efficient manner and at the lowest and most reasonable cost to the state. With regard to passenger vehicle travel, whether in- or out-of-state, agency travel policies shall:

- Maximize utilization of state-owned vehicles (agency-owned or agency-assigned vehicles owned by the Department of Administration),
- Make use of State term contracts for short-term rentals ([State Term Contract 975B Vehicle Rental Services](#)), and
- Reimburse for use of personal vehicles on a limited basis.

Agencies are encouraged to establish policies that promote efficient travel, such as ride-sharing. When State-owned resources are not available, the agency may procure vehicles through the State's term contracts or reimburse use of personal vehicles. If a state employee chooses to use a personal vehicle, actual mileage is reimbursable. Mileage is measured from the closer of duty station or point of departure to destination (and return). A state employee shall be reimbursed the

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business standard mileage rate set by the Internal Revenue Service (54 cents per mile effective January 1, 2016) when using their personal vehicle for state business when the round trip does not exceed 75 miles. However, if a state employee chooses to use a personal vehicle when the round trip exceeds 75 miles, all departments and agencies will reimburse the employee at a mileage rate of 34 cents per mile (the average motor fleet rate for permanently assigned passenger vehicles). Parking fees, tolls, and storage fees are reimbursable when the required receipts are obtained. Fines for traffic and parking violations are the responsibility of the state employee.

5.1.27 Transportation by a Rental Vehicle

For both in-state and out-of-state travel, rental vehicles shall be obtained through the State's term contracts when available. Unless prior approval has been obtained from the department head or his or her designee, the state employee shall bear the difference in cost when renting a vehicle from a class that exceeds the cost of a standard vehicle on the State's term contract for short-term vehicle rentals. No reimbursement will be made for rental insurance purchased because state employees are covered under the State's auto insurance program. However, reimbursement for automobile rental insurance will be permitted for individuals engaged in state business during travel to international destinations.

If you have specific questions regarding these changes, please contact your OSBM budget analyst at (919) 807-4700.