

Transportation Benefits

This page features general information on mileage reimbursement, parking, and transit pass benefits. **For more information on these and other transportation benefits, please see [IRS Publication 15-B](#).**

Mileage Reimbursements

Three common methods for reimbursing employees who use their own vehicles for business travel are the:

- Flat car allowance;
- Fixed and variable rate (FAVR) reimbursement; and
- Standard mileage rate reimbursement.

Flat car allowances typically provide a set amount of money over a stated period to all employees in a company who travel for work. Flat car allowances are treated as taxable income to the employee unless the employee substantiates his or her expenses with documents and returns any part of the allowance that exceeds the expenses actually incurred. For more information, see [IRS Publication 535](#).

FAVR reimbursements are periodic payments that cover both fixed costs—such as car depreciation and insurance—and variable costs like gas, calculated by the employer based on prices in the employee’s location. The FAVR allowance must be a reasonable approximation of the employee’s actual expenses. FAVR reimbursements that comply with IRS rules are not included in the employee’s gross income. For more information on FAVR, including limitations, requirements, and how to calculate the rate, see [IRS Revenue Procedure 2010-51](#) and [IRS Publication 535](#).

Finally, employers may also reimburse employees at the standard mileage reimbursement rate set annually by the federal government. The standard mileage rate for the first half of 2022 for the use of a car, van, pickup, or panel truck is **58.5 cents** for every mile of business travel driven (up 2.5 cents from the rate in 2021). The rate for the second half of the year--July 1 through December 31, 2022--is **62.5 cents per mile**.

Parking

In 2022, employers can generally pay **\$280** per month (up from \$270 in 2021) for an employee’s parking expenses without the payments becoming includible in the employee’s gross income. To be eligible for this tax treatment, the parking must be provided on or near the employer’s premises **or** on or near the location from which employees commute to work using mass transit, commuter highway vehicles, or carpools. **However, these payments cannot be deducted from the employer’s gross income.**

In addition, in 2022, employers generally may allow employees to pay up to **\$280 per month** (also up from \$270 in 2021) on a pre-tax basis for parking. For more information, see [Q&A 11](#).

Transit Passes

In 2022, employers can generally pay **\$280** per month (up from \$270 in 2021) for an employee’s transit passes without the payments becoming includable in the employee’s gross income. A transit pass is any pass, token, fare card, voucher, or similar item entitling a person to ride, free of charge or at a reduced rate:

- On mass transit; or
- In a vehicle that seats at least 6 adults (not including the driver) if a person in the business of transporting persons for pay or hire operates it.

However, these payments cannot be deducted from the employer's gross income.

Employers may also generally allow employees to pay up to **\$280 per month** in 2022 on a pre-tax basis (up from \$270 in 2021) for transit passes. For more information, see [Q&A 11](#).