November 14, 2003

DEPARTMENT OF TAXATION ANNOUNCEMENT NO. 2003-12

RE: Adoption of Optional Standard Mileage Rates for 2004

The Department of Taxation (Department) conforms to the federal optional standard mileage rates for computing deductions for operating an automobile for business, charitable, medical, or moving expense purposes. In Rev. Proc. 2003-76 (Internal Revenue Bulletin 2003-43, dated October 27, 2003), the Internal Revenue Service announced that the standard mileage rates for 2004 are as follows[1]:

Business	**37.5 cents per mile**
Charitable	**14 cents per mile**
Medical or Moving	**14 cents per mile**

The Department will also conform, starting in 2004, to another provision which allows taxpayers who use no more than four vehicles at the same time for business purposes to use the standard mileage rate. Currently, taxpayers using more than one vehicle at a time cannot use the standard mileage rate and must track the actual expenses for each vehicle.

To claim the allowable standard mileage rate for business purposes, taxpayers may use federal Form 2106 - "Employee Business Expenses" or federal Form 2106-EZ - "Unreimbursed Employee Business Expenses." If you do not have to file either Form 2106 or 2106-EZ, see the federal instructions for Form 1040 (Schedule A - "Itemized Deductions") to properly claim the unreimbursed mileage.

To claim the allowable standard mileage rate for charitable or medical purposes, refer to the federal instructions for Form 1040 (Schedule A).

Hawaii Form N-139 - "Moving Expenses" must be used to claim the allowable standard mileage rate for moving expenses.

Current forms and other tax information may be downloaded from the Department's website at: www.state.hi.us/tax/. If you know which tax form or publication you need, please call the Department's request line at 808-587-7572, or toll-free from the neighbor islands and continental U.S. at 1-800-222-7572 to receive forms by mail or fax.

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[1] In 2003, the standard mileage rates are: (1) 36 cents a mile for an automobile used for business; (2) 14 cents a mile for purposes of the charitable deduction; and (3) 12 cents a mile for purposes of the medical or moving expense deductions. See Internal Revenue Bulletin No. 2002-39 (September 30, 2002).

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HRS Section Explained: HRS Section 235-2.3(a)