



## **STATE ENGINEERING ASSOCIATION**

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September 12, 2005

Mr. Marc Marotta  
Secretary  
Wisconsin Department of Administration  
101 E Wilson St  
Madison, WI 53702

Ms. Karen Timberlake  
Director  
Wisconsin Office of Employment Relations  
101 E Wilson St  
Madison, WI 53702

Subject: **Mileage Reimbursement for State Employees**

Dear Secretary Marotta and Director Timberlake,

This past Friday, the U.S. Internal Revenue Service (IRS) increased the IRS mileage rate from \$0.405 to \$0.485 per mile. This is the rate that an employer can reimburse an employee for mileage without that employee incurring federal income tax liabilities. This is an increase of eight cents per mile. Almost all private sector employers reimburse their employees at the IRS mileage rate. It is retroactive to September 1, 2005 and will remain in effect until December 31, 2005.

As you are aware, the State of Wisconsin has several different reimbursement rates for state employees that drive their own vehicle. The primary rates are the turndown rate of \$0.28 per mile when an employee chooses to drive their own vehicle instead of a state vehicle and the standard rate of \$0.385 per mile when a state owned vehicle is not available. There are qualifiers on those rates and there are other rates, such as rates for relocation, motorcycles, legislators, etc., but for brevity I am not elaborating on those qualifiers and rates here.

This means that state employees are now reimbursed anywhere from ten to twenty and a half cents per mile less than the IRS mileage rate. While cents per mile does not sound like very much money, many trips are much more than a few miles. If a state employee on official business drives their own vehicle for one hour on the freeway at the posted speed limit of 65 miles an hour, they will lose anywhere from \$6.50 to \$13.32 per hour compared to the reimbursement that they would receive if they were employed by the vast majority of private sector employers. In rare cases, the loss to the employee during that hour may exceed their salary.

Many state employees, primarily in Madison, have chosen to drive their own vehicle instead of a state owned car because of the time consuming bureaucratic requirements to get the approvals and signatures that are necessary to check out a state car. And in Madison, the state vehicle is usually stored at a remote location which makes the chore of getting a vehicle even more time consuming. The widespread use of the turndown rate for these employees is documented by the Legislative Audit Bureau, which stated: *"In general, employees based outside of Madison are reimbursed at the standard rate, while those based in Madison are reimbursed at the turndown rate."* (Audit Report 05-7, page 62.) To expect these employees to suffer a loss of twenty and a half cents per mile is placing an additional financial burden on employees that have already suffered a significant financial burden during the last biennium. That is because many state employees experienced a reduction in their annual take home pay during the past two years, as their minimal raises did not offset the higher costs that they incurred for health care. Yet during this time, inflation continued to rise.

The Wisconsin Department of Transportation determined that it costs the State another \$19,000 for every state employee that was replaced by an engineering consultant. Yet hundreds of engineering consultants have already replaced state employees at significant cost to the taxpayer. I can almost guarantee you that the engineering consulting firms will be requesting expedited contract change orders that will allow them to pay their employees the IRS mileage rate for state work. Realistically, if that is the rate that the State will pay to the consultants under state contracts, all state employee reimbursement rates should be increased to the IRS mileage rate too.

In the press release announcing the increase, IRS Commissioner Mark W. Everson states: *"People are entitled to deduct the real cost of operating a vehicle."* The State Engineering Association asks that you follow the lead of the IRS and make every effort to increase the mileage reimbursement rates for state employees by at least eight cents per mile, effective September 1, 2005.

I have attached a copy of the IRS press release. If you have any questions, please do not hesitate to contact me. My daytime work number is (262) 521-4402.

Sincerely,

Mark Klipstein  
President

enclosures:

IRS Press Release titled IRS Increases Mileage Rate Until Dec. 31, 2005, IR-2005-99, Sept. 9, 2005

cc: Governor Doyle  
Co-Chairs and Members of the Joint Committee on Employment Relations  
Co-Chairs of the Joint Audit Committee  
Jill Thomas, OSER