



OLR RESEARCH REPORT

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STATE EMPLOYEE MILEAGE REIMBURSEMENT

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You asked for information on the mileage reimbursements state employees receive and how they are used in pension calculations.

SUMMARY

Under various statutes and collective bargaining agreements, the state reimburses all of its employees who use their private vehicles in the performance of state business and duties. Although reimbursement rates vary in some collective bargaining agreements, since January 28, 2011, the state has reimbursed all of its non-union employees and employees in 12 of its 34 bargaining units \$0.51 per mile. According to the comptroller's office, mileage reimbursements for FY 11 totaled almost \$7.4 million paid to 8,725 employees, not including state legislators who, according to the Office of Legislative Management, received an additional \$578,000 in mileage reimbursements.

The Internal Revenue Service (IRS) requires certain mileage reimbursements to be reported as part of an employee's income. These "reportable" reimbursements are treated as part of an employee's income for tax and pension deduction purposes. As such, they are also included in the salary used to determine an employee's pension benefit when he or she retires. In FY 11, reportable mileage reimbursements totaled \$598,000 of the almost \$8 million paid in total mileage reimbursements. The remaining \$7.4 million was "non-reportable," and therefore not eligible to be taxed or used in calculating employees' pensions.

MILEAGE REIMBURSEMENTS

Table 1 shows FY 11 mileage reimbursements by department, organized by total reimbursement amount.

Table 1: FY 11 Mileage Reimbursements

<i>Department/Agency</i>	<i>Total Mileage Reimbursement</i>	<i>Reportable Mileage Reimbursement</i>
Judicial Branch	\$1,508,625	\$0
Dept. of Transportation	\$1,479,730	\$277
State Legislators	\$578,045	\$578,045
Dept. of Developmental Services	\$577,107	\$0
Dept. of Children and Family	\$390,362	\$0
Auditors of Public Accounts	\$367,589	\$15,835
Commission for the Deaf and Hearing Impaired	\$305,305	\$0
Dept. of Mental Health & Addiction Services	\$293,719	\$77
Dept. of Labor	\$270,174	\$0
State Dept. of Education	\$240,765	\$0
Dept. of Banking	\$238,685	\$0
Community Colleges	\$224,713	\$0
Dept. of Revenue Services	\$189,313	\$3
Public Defender Services	\$143,563	\$0
Office of the Attorney General	\$136,014	\$0
Dept. of Social Services	\$129,608	\$803
Dept. of Insurance	\$128,370	\$0
Board of Education and Services for the Blind	\$117,827	\$0
Fire Prevention Commission	\$78,681	\$0
Dept. of Correction	\$67,588	\$27
Dept. of Public Health	\$55,049	\$1
Division of Criminal Justice	\$52,582	\$0
Dept. of Motor Vehicles	\$35,741	\$192
Dept. of Environmental Protection	\$33,803	\$2,658
Dept. of Public Works	\$33,114	\$0
Dept. of Administrative Services	\$28,175	\$0
Workers' Compensation Commission	\$22,992	\$0
Commission on Culture & Tourism	\$19,732	\$0
Dept. of Public Utility Control	\$19,595	\$0
Office of Legislative Management (not including legislators)	\$15,395	\$0
Probate Court Administration	\$14,800	\$0
Dept. of Higher Education	\$14,170	\$0
Office of the State Treasurer	\$13,309	\$22
Board of State Academic Awards	\$12,338	\$0
Dept. of Consumer Protection	\$12,060	\$34
Dept. of Economic and Community Development	\$10,825	\$0
Dept. of Emergency Management & Homeland Security	\$10,253	\$59
Dept. of Public Safety	\$8,088	\$0
Office of Policy and Management	\$7,008	\$0
Agricultural Experiment Station	\$6,467	\$0

Table 1 (continued)

<i>Department/Agency</i>	<i>Total Mileage Reimbursement</i>	<i>Reportable Mileage Reimbursement</i>
Office of Protection and Advocacy for Persons with Disabilities	\$6,338	\$0
Dept. of Veterans' Affairs	\$6,011	\$0
Dept. of Information Technology	\$5,940	\$0
University of Connecticut Health Center	\$5,528	\$0
State Library	\$5,175	\$0
Soldiers, Sailors, & Marines Fund	\$3,946	\$0
Office of the Child Advocate	\$3,849	\$0
Commission on the Status of Women	\$3,203	\$0
Office of Consumer Council	\$3,010	\$0
Commission on Human Rights and Opportunities	\$2,819	\$0
Dept. of Agriculture	\$2,560	\$0
Division of Special Revenue	\$2,523	\$0
Psychiatric Security Review Board	\$2,388	\$0
Office of the Victim Advocate	\$2,312	\$0
Office of Workforce Competitiveness	\$2,234	\$0
Office of the Secretary of the State	\$2,058	\$0
Freedom of Information Commission	\$1,744	\$0
Commission on Aging	\$1,615	\$0
Office of Chief Medical Examiner	\$1,553	\$0
Ethics Commission	\$1,464	\$0
University of Connecticut	\$1,448	\$0
African American Affairs Commission	\$1,301	\$0
Commission on Children	\$1,173	\$0
CT Siting Council	\$1,086	\$0
Elections Enforcement Commission	\$977	\$0
Office of the Healthcare Advocate	\$937	\$0
Commission on Latino & Puerto Rican Affairs	\$673	\$0
Military Dept.	\$624	\$67
Judicial Selection Commission	\$544	\$0
Office of the State Comptroller	\$501	\$0
CT State University System	\$377	\$0
Council on Environmental Quality	\$201	\$0
Lt. Governor's Office	\$83	\$0
Governor's Office	\$70	\$0
Board of Accountancy	\$37	\$0
Total	\$7,963,492	\$598,100

MILEAGE REIMBURSEMENTS & PENSION BENEFITS

In general, a state employee's pension benefit is based on a percentage of his or her annual salary over the last few years of employment (the actual specifics of the calculation depend on the employee's tier membership). Reportable mileage reimbursements are considered part of the salary because the IRS considers them part of the employee's income for tax purposes. An employee's state and federal

income taxes, Social Security and Medicare taxes, and pension fund contributions are all based on an income amount that includes reportable mileage reimbursements. Non-reportable mileage is not added into the calculation because the IRS does not consider it income (and does not tax it). Thus, an employee with a \$50,000 regular salary who received \$500 in reportable mileage reimbursements would have a \$50,500 salary for pension and tax purposes. If the same employee received no reportable mileage and \$5,000 in non-reportable mileage, he or she would have a \$50,000 salary for pension and tax purposes.

Reportable vs. Non-reportable Mileage

In general, the IRS requires employees to report any mileage reimbursements that are at a rate greater than the “standard mileage rate” set by the IRS. Because the IRS current standard mileage rate is 55.5 cents per mile, a typical employee reimbursed at 51 cents per mile would not have any reportable mileage, regardless of the amount of the reimbursement. However, an employee reimbursed at 60 cents per mile would have to report the additional 4.5 cents per mile that he or she received as income (www.osc.ct.gov/2011memos/numbered/201116.htm).

The IRS also considers certain types of mileage reimbursements, such as reimbursements for commuting between home and work, as reportable, regardless of the standard mileage rate (www.irs.gov/govt/fslg/article/0,,id=181249,00.html). State employees who receive these reimbursements (i.e. state legislators or appointed Auditors of Public Accounts prior to 7/1/11) must report the total reimbursement amount as income and have it taxed and used for pension purposes. PA 11-48 prohibits Auditors of Public Accounts from receiving any mileage reimbursements during the FY 12 and FY 13 biennium.

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