

To:	Warden Milne and Members of Grey County Council
Committee Date:	May 23, 2024
Subject / Report No:	CAOR-CW-13-24
Title:	Mileage Expense Reimbursement Policy
Prepared by:	Kim Wingrove, CAO
Reviewed by:	Mary Lou Spicer, Treasurer
Lower Tier(s) Affected:	
Status:	

Recommendation

1. That Report CAOR-CW- 13- 24 Mileage Expense Reimbursement Policy be received; and
2. That the County's mileage reimbursement policy be updated to use the Canada Revenue Agency reasonable rate and that this change be implemented effective June 1, 2024; and
3. That the mileage rates previously adopted by County Council by resolution FP114-08 on July 8, 2008, and FP60-09 on April 7, 2009, be rescinded and replaced as provided in report CAOR-CW- 13- 24; and
4. That if departmental travel budgets are insufficient and the additional cost cannot be offset within the respective budget, the shortfall be funded from the One Time Funding Reserve and;
5. That staff be authorized to proceed prior to County Council approval as per Section 26.6(b) of Procedural By-law 5134-22.

Executive Summary

Staff and councillors who drive their personal vehicles on county business are eligible to be reimbursed for the expense incurred. The current policy governing the per km rate for reimbursement is unique to Grey County and dates from 2008/2009. Concerns have been raised that the formula is no longer accurately capturing the costs incurred for driving a personal vehicle. Staff recommend that Grey County update the mileage reimbursement policy to begin using the rate and process provided annually by the Canada Revenue Agency effective June 1 2024.

Background and Discussion

It is in the County's best interests to ensure that mileage reimbursement is reasonable and accurately reflects the costs incurred. The Government of Canada's guidance regarding automobile expenses cautions that if a driver is paid an allowance based on a per kilometre rate that is not considered reasonable, (because it is either too high or too low), it is a taxable benefit and must be included in the employee's income. CPP, EI, and income tax must be deducted from the allowance.

Where the reimbursement is a taxable benefit, the employee would be eligible to claim their auto and motor vehicle expenses on their income tax return. Grey County as the employer would need to complete Form T2200, Declaration of Conditions of Employment.

The Canada Revenue Agency (CRA) publishes the reasonable per-kilometre allowance amounts annually. The per-kilometre rates that the CRA usually considers reasonable are the amounts prescribed in section 7306 of the Income Tax Regulations. CRA notes that collective agreement clauses regarding mileage reimbursement do not supersede the Income Tax Act regulations.

The CRA considers an allowance to be reasonable if all the following conditions apply:

- The allowance is based only on the number of business kilometres driven in a year.
- The rate per-kilometre is reasonable.
- You did not reimburse the employee for expenses related to the same use of the vehicle (with the exception of toll or ferry charges).

For 2024 the Reasonable Allowance Rates are:

- 70¢ per kilometre for the first 5,000 kilometres driven.
- 64¢ per kilometre driven after that.

Grey County's Current Mileage Reimbursement

County Council on July 8, 2008, approved a County per kilometre reimbursement rate calculated on a quarterly basis utilizing a sliding scale that would allow for fluctuations in the price of gasoline. This sliding scale for kilometre reimbursement for mileage is based on the Ontario Ministry of Energy's Southern Ontario average price per litre for unleaded gasoline. The kilometre reimbursement rate for April 1 to June 30, 2024, as per the Ontario Ministry of Energy's 2024 1st Quarter Southern Ontario Average Unleaded Gasoline Price of 149.28 (cents per litre) is 50.0¢ per kilometre.

Next Steps

With Council's approval of the change in the mileage reimbursement policy to the CRA rate and process, staff and council will be formally advised via email. There will be an updated form to use for submission of June expenses that will be distributed and available on the Grey's Vine. Since the mileage rate paid changes when claims exceed 5000 km, the total mileage claimed January 1 to May 31 2024 will be calculated during the month of June and shared with each claimant for use in completing future expense claims. We are aware of only one person whose mileage exceeds 5000 km year to date and will work with them individually to ensure their claims use the appropriate rate beginning June 1. Also, an update and consolidation of travel and expense claim policies and procedures will also be completed and rolled out to everyone as quickly as possible.

Legal Considerations

Grey County is required to provide a reasonable mileage allowance to staff and councillors who use their personal vehicles for work related purposes or to treat the allowances paid as a taxable benefit.

Financial and Resource Implications

Based upon 2023 mileage expenses claimed, it is anticipated that the impact of a mileage rate increase for 7 months in 2024 will cost \$34,000. This is spread across all County departments with a greater impact on the Housing and Transportation Services' budgets. If departmental budgets for travel are insufficient and the additional expense cannot be offset by savings in other budget lines, staff recommends that the shortfall be funded from the One Time Funding Reserve. The adjustment to mileage rates will also have an impact on future budgets.

Relevant Consultation

- Internal - Finance, Human Resources, Transportation, Housing
- External (list)

Appendices and Attachments

None.