

Volunteer Mileage Reimbursement and Deduction

As the price for gasoline hits record highs, volunteers have cut back on their use of vehicles for charitable purposes - hurting the people they intend to serve and making it difficult for charities to recruit and retain volunteers. The impact of high gas prices on volunteerism is being exacerbated by two problems in current tax policy: 1) individuals must treat as income any mileage reimbursements by the charities in excess of 14 cents per mile, and 2) the rate at which volunteers may deduct the mileage they drive on behalf of a charity is fixed at only 14 cents per mile. Congress should take action to exempt reimbursement of mileage from income and raise the volunteer standard deduction to a reasonable rate.

Senators Chuck Schumer (D-NY) and John Ensign (R-NV) have introduced legislation, S.3429, the Giving Incentives for Volunteers Everywhere (GIVE) Act of 2008, to address the impact of high gas prices on charitable volunteers. The bill does two things:

1. **Deduction Rate:** The bill would raise the volunteer standard deduction rate from the current 14 cents per mile to 70 percent of the standard business deduction rate. This would set the rate at 41 cents/mile and the rate would be adjusted annually.
2. **Reimbursement:** The bill would exempt from taxable income reimbursements from charities for mileage traveled by a volunteer up to the business rate (currently 58.5 cents/mile).

Background

- **Taxing Reimbursements:** Current law allows charities to reimburse volunteers, on a nontaxable basis only, up to the charitable mileage rate of 14 cents per mile. Alternatively, volunteers are permitted to deduct their "out of pocket" expenses incurred in providing donated services — when those expenses are not reimbursed.
- **Volunteer Mileage Rate:** Congress first set at 12 cents per mile the statutory deduction rate for volunteers who use their vehicles for charitable purposes as part of the Deficit Reduction Act of 1984 (P.L. 98-369). The rate was slightly raised to 14 cents per mile under a provision contained in the Taxpayer Relief Act of 1997 (P.L. 105-34).
- **Temporary Increase in 2005-2006:** The charitable mileage rate was raised temporarily in 2005 and 2006 to 70 percent of the standard business mileage rate as part of the Katrina Emergency Tax Relief Act of 2005 (P.L. 109-73). The law also provided that mileage reimbursements up to the business rate to charitable volunteers could be exempted from income when service was related to hurricane relief. The Joint Committee on Taxation (JCT) calculated the "cost" of these provisions at \$31 million.
- **Business and Moving/Medical Rate:** The IRS recently increased the standard mileage rate used to calculate the deductible cost of operating an automobile for business purposes to 58.5 cents per mile and 27 cents per mile for moving and medical purposes for the remaining six months of 2008. Unlike the business and moving/medical rates which are variable and set by the IRS, the charitable rate is fixed by statute at 14 cents per mile under §170(i) of the Internal Revenue Code.