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Taxpayers

Volunteers Should Not Be Second-Class Taxpayers

By [Susan J. Ellis](#)

July

2008

[Last month's Hot Topic](#) was about the cost of gasoline and its effect on volunteers, especially those who have assignments requiring driving. This month's topic – again responding to news – turns out to be “part 2.”

A week ago, the U.S. Internal Revenue Service raised the mileage deduction for the rest of 2008 to 58.5 cents a mile (an increase of 16 percent) because of the rising price of gasoline. "Given the increase in prices, the IRS is adjusting the standard mileage rates to better reflect the real cost of operating an automobile," said IRS Commissioner Doug Shulman. "We want the reimbursement rate to be fair to taxpayers."

It's certainly legitimate to recognize the soaring cost of gas and adjust tax benefits accordingly for Americans (at least for those who take deductions). But, wait! Here's the rest of the news:

The mileage deduction for the first half of the year was 50.5 cents per mile.

The 58.5 cents per mile deduction applies to business use of a personal vehicle. Drivers who use their vehicles for medical reasons or to move can deduct 27 cents per mile, up from 19 cents in the first half of the year. The use of a vehicle for charitable purposes is set by law at 14 cents and wasn't increased. ¹

The tax deduction for driving as part of volunteer service has been **14 cents for the last 10 years**, having been raised from 12 cents by the Taxpayer Relief Act of 1997. Some of us can remember the struggles in the 1970s and 80s to get past 7 cents a mile and the determined efforts of first Representative and now Senator Barbara Mikulski (D, Maryland) to champion better tax support for volunteer drivers. Since then, however, there has been little interest in introducing the necessary legislation to get Congress to raise the reimbursement/deduction rate for charitable driving.

Given the life-and-death nature of most volunteer driving, this situation is unacceptable.

If the Federal government wants to show its respect for volunteers who deliver meals to the homebound, assure that seniors get to doctor's appointments, assist patients needing dialysis treatments, and any of the wide variety of important services we rely on volunteers to provide, it's time to demonstrate "support of volunteering" in a tangible way: raise that rate!

Not Just the USA

In preparing to write this commentary, I did some research into how the tax code of different countries treats volunteer service. I found some interesting information – and hope that site visitors will add more explanation in response. For example:

- *Canada* does not seem to permit any charitable deductions apart from cash donations. Ruth MacKenzie, president of Volunteer Canada, has recently testified to the Canadian government to urge legislative action on exactly this issue. [edited 8 July]
- *England* handles automobile expenses differently in its tax code. Citizens may drive a certain number of miles tax-free and then calculate tax owed on car usage above that:

*HM Customs and Revenue sets tax-free mileage rates under the Fixed Profit Car Scheme (FPCS). This scheme allows for the payment of mileage allowances without the need for either the organisation or the volunteer to keep detailed records. The scheme applies to both employees and to volunteers.*²

The good thing is that volunteers are treated equally and can include their charitable driving in their calculations for their total car use. But this also means that charitable driving is not exempted from tax calculations.

- In *Australia*, there are no specific provisions of the income tax law that allow deductions for expenses incurred while undertaking voluntary work. This creates a catch-22 like this: "deductions claimed by the taxpayer would not be an allowable deduction for the reason that the deductions were not incurred in gaining or producing assessable income."³ Of course, this discounts the fact that the expenses were actually a donation to the charity – income to *them*.

At this point, my head was swimming enough to stop reviewing tax codes (and apologies for any misinterpretations above!). But there seem to be two common assumptions at work, namely:

1. If volunteer-related tax issues are ever considered, they are rarely re-visited and often therefore get totally outdated before anyone remedies the oversight.
2. While the US and other countries deal with the tax value of cash and property donations to charities, they basically do not consider volunteer out-of-pocket expenses as donations. A gift of \$100 in cash is recognized as both revenue to the charity and an exact cost to the taxpayer; paying for \$100 in gas or for art supplies to complete a youth activity is not acknowledged as \$100 of value to the organization, let alone as a gift from the volunteer.

Whether or not you believe that the tax code is where such philosophic issues should be decided, as long as there is some attempt to deal with volunteer expenses at all, we ought to make sure it's done properly.

What Can We Do?

In the US, the only way to change the current mileage deduction is through the legislative process. Congress must pass a law and the President must sign it. So...are we ready to make some noise?

Write to your Representatives and Senators, and get all the volunteers in your program to write, too. I'll help. Below is a "template" note that can be cut-and-pasted or modified to insert into an e-mail or old-fashioned letter. Let's see if we can create some buzz...and maybe some positive action:

Dear Rep./Sen. _____:

It's wonderful that the Internal Revenue Service has just increased the mileage deduction to 58.5 cents a mile in recognition of the high cost of gas. But do you realize that the charitable mileage deduction has remained at **only 14 cents a mile** for the last ten years?!

It requires Congressional legislation to raise this rate. Please act now and recognize the enormous contribution of volunteers who use their cars to:

- Deliver meals to those who are homebound and otherwise might not eat.
- Drive seniors to necessary doctors' appointments.
- Make sure people without the means to drive or without mass transit can get medical treatments, visit family members in custodial care, and other vital services.

Please introduce and support a bill that raises the deduction immediately, but that does not express a specific amount. To avoid having to reintroduce legislation every few years, why not require the charitable deduction either to **equal the business deduction** or to always be **equivalent to at least ___% of the business deduction?** [See important update below -- posted on August 15.]

Volunteers deserve this support and assistance. Please change the law now.

For those of you outside the US, please take whatever action you feel is warranted. Then, everyone, please report back here on what you did, what response you received, and what else you think we might do collectively and individually.

Thank you!

August 15, 2008 Update

This issue has captured the interest of several members of Congress and various organizations. New legislation has been introduced. H.R. 2020 proposes making the charitable mileage deduction

equivalent to the business rate. To learn more, including how to support H.R. 2020, see the Pennsylvania Association of Nonprofit Organization's (PANO) [public policy alert](#).

January 30, 2009 Update

The legislation from last year went no where, but suddenly the mileage deduction for volunteers is part of the new "Stimulus Package" and PANO is once again keeping everyone informed. See the [full history of this issue](#) on their Web site. Read their [1/29/2009 press release](#), which concludes with this statement:

Our official position is in support of raising the volunteer mileage rate to 100% of the standard business rate. In 2008 we supported Platts' H.R.2020 and Senator Casey's The Charitable Mileage Deduction Equity Act, S.3421. Platts' new bill H.R.345 is virtually identical to them. But if Grassley's proposal shifting discretion to the IRS is included in the Stimulus Package, then it is likely to pass. The new volunteer rate would become variable at the discretion of the IRS. The IRS will probably raise the volunteer rate to the moving rate (which is currently 24 cents). While this is a far cry from 100% of the business rate, we can work with the IRS later to ensure that the new volunteer rate is close enough to the business rate to make a difference.

US Senator Charles Grassley (R-IA) has been active in supporting this effort. Read [his press release](#), too.

¹Ryan J. Donmoyer, Bloomberg News, June 23, 2008. Accessed through the *Chicago Tribune* online at <http://www.chicagotribune.com/business/chi-irs-mileage,0,1821238.story>

² <http://www.volunteering.org.uk/Resources/goodpracticebank/Information/volunteerdrivers.htm>. Further:

The tax-free mileage rate is the estimated cost of what it costs someone to drive somewhere in terms of petrol and wear and tear, and insurance. Therefore if you are reimbursing the mileage rate, then it is an actual expense even though you cannot collect receipts to prove it. In terms of tax, benefits and the national minimum wage, it is fine to reimburse volunteers for mileage at the tax-free mileage rate. If you are paying above the mileage rate or reimbursing volunteers' mileage with a flat-rate payment which could be more than the mileage rate, then the volunteers' insurance could be invalidated because they could be seen to be making a profit from driving.

Also see <http://www.hmrc.gov.uk/mileage/volunteer-drivers.htm>.

³http://www.volunteering.com.au/latest_news/volunteer_life/html/edition2/... and the Australian Tax Office at <https://www.ato.gov.au/law/#Law>

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Comments from Readers

Submitted on January 3rd, 2018

Anonymous, Cincinnati / Ohio, United States

Is there any update towards this initiative? Pano's website no longer seems to host the mentioned resources. Thanks!

Submitted on January 15th, 2018

Cara Thenot, Publications and Social Media Director, Energize, Inc., Philadelphia/PA, USA

Thanks for the excellent question. According to the National Council of Nonprofits, as of December 22, 2017 (the date the December 2017 Tax Reform was signed into law), there were no changes to the current U.S. law regarding the VOLUNTEER MILEAGE RATE. It "has been fixed in statute at 14 cents per mile, which is far below the actual cost volunteers incur when they drive their vehicles on behalf of nonprofits." The Pennsylvania Association of Nonprofit Organizations (PANO) has shared the full analysis of the bill's impact on nonprofits from the National Council of Nonprofits on the PANO website at <http://www.pano.org/Advocacy/Federal/> .

It appears you can follow the issue on the National Council of Nonprofits website.

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