

7/26/2017 Report on the Volunteer Tax Liability Committee

The committee met on Monday the 26th. Meeting attendees, Diogo Reyes, Noel Shughart, Joan Willshire, Shelley Phlaum, Frank Douma, Ted Stamp, Aiken County Human Services, Tiffany Collins. The group reviewed the current IRS law and the notification issued on March 24, 2017 by the Mn Dept of Revenue (See Attached). There was discussion as to the impact to the Drivers and the impact to the agencies who sponsor the drivers. Most felt that the impact and benefit the volunteer driver provide would be a compelling story for amending the law (State or Fed) to create some sort of exemption.

A reminder the Dept of Revenue notification applies to State Tax Law, the IRS applies to Federal Tax Law. The Dept of Revenue has adopted most of the Federal Tax law with one key exception. The IRS exempts RSVP and Senior Companion Program volunteer reimbursement as taxable income.

The next step is to ask a series of clarifying questions of the Mn Dept of Revenue.

Here is a short list of some possible questions:

1. IRS Publication 544 **Tax Information for Seniors** (page 5) exempts reimbursements for volunteers under the RSVP and Senior Companion Program. In Minnesota there are several RSVP and Senior Companion programs utilizing volunteer drivers operating their personal vehicles being reimbursed mileage. Are those taxable income exemptions also applicable to state taxable income under the notification issued March 24 2017?
2. It is mentioned in the notification that actual expenses can be reimbursed. What are the eligible expenses, do they include the cost of operating a motor vehicle; fuel, gas, maintenance, depreciation, and insurance?
3. The notification utilizes the charitable rate for Federal tax purposes as the tax exempt rate for State tax purposes. Is the State tax exempt rate set in Statue by the State Legislature or is this a policy directive from the Department?

Individual Income Tax

Last Updated: 3/24/2017

Volunteer Mileage Reimbursement

Volunteer drivers may exclude reimbursement payments for mileage from their income only to the extent they would be able to deduct the expense as a charitable contribution.

Volunteers may exclude one of the following amounts for each mile driven (including unreimbursed miles):

- Optional, standard mileage rate for charitable activities of 14 cents per mile
- Actual vehicle expenses, such as gas and oil, that are directly related to the charitable purpose

If you are a volunteer driver

If you receive mileage reimbursement for charitable activities, you must include the payments on your income tax return:

- Report mileage reimbursements above the exclusion amount as income.
- Report any other taxable payments as income.

Note: You should receive a federal Form 1099 from any organization that pays you \$600 or more during the tax year. You must report all payments even if you do not receive a Form 1099.

Example

You had the following volunteer expenses and miles during the tax year:

Miles Driven for the charitable activity	1,100
Reimbursable miles at standard IRS mileage rate for business (53.5 cents)	1,000
Reimbursement (1,000 miles X 53.5 cents)	\$535
Actual Vehicle Expenses (such as gas and oil) for 1,100 miles	\$100
Vehicle Expenses based on standard mileage rate for charitable activities (1,100 miles X 14 cents)	\$154

In this example, you:

- May exclude \$154 (greater of the standard mileage rate or \$100 of actual costs).
- Must report \$381 as income on your tax return (\$535 reimbursement less \$154 of volunteer mileage expense).

If you reimburse a volunteer driver

If you pay \$600 or more to a volunteer during tax year, you must report the payments on a federal Form 1099. If needed, send a federal Form W-9 to the volunteer to get their taxpayer identification number.

Note: Reimbursement at the standard IRS mileage rate does not necessarily mean you should classify the volunteer as an employee. Other factors must be considered.

From IRS Publication 554 - Tax Guide for Seniors

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Compensation for Services

Generally, you must include in gross income everything you receive in payment for personal services. In addition to wages, salaries, commissions, fees, and tips, this includes other forms of compensation such as fringe benefits and stock options.

You need not receive the compensation in cash for it to be taxable. Payments you receive in the form of goods or services generally must be included in gross income at their fair market value.

Volunteer work. Don't include in your gross income amounts you receive for supportive services or reimbursements for out-of-pocket expenses under any of the following volunteer programs.

Retired Senior Volunteer Program (RSVP).

Foster Grandparent Program.

Senior Companion Program.

Service Corps of Retired Executives (SCORE).