

The information below relates to the June 2017 MCOTA agenda item “Impact of Minnesota Department of Revenue clarification on volunteer programs”

The Minnesota Department of Revenue on March 24, 2017 posted a notice regarding volunteer mileage reimbursement. No new law was passed, but the Department of Revenue provided clarification based on IRS federal rules.

http://www.revenue.state.mn.us/individuals/individ_income/Pages/VolunteerMileageReimbursement.aspx

The issue is many of the volunteer programs in Minnesota have not issued 1099s in the past and would need to do so now. Of those that don't issue 1099s many currently reimburse at the IRS business rate. But the bigger issue for the volunteer programs is that could be a significant tax burden to the volunteers. The clarification is that mileage reimbursement in excess of the charitable rate of \$.14/mile is taxable income. Some volunteers are being reimbursed mileage in excess of \$10,000 - \$20,000 annually. Using the \$10,000 as an example:

- \$10,000 / \$.54 = 18,518 annual miles traveled.
- \$.54/mile business rate - \$.14/mile charitable rate = \$.40/mile taxable rate
- 18,518 annual miles x \$.40/mile = **\$7,407 taxable income**

As a result of this Department of Revenue clarification several of our large volunteer programs are predicting a 50% loss of volunteers.

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