

## Area 75 Proposal Form

**Proposal Sponsor:** Drew A [REDACTED] on behalf of Finance Committee  
**Sponsors Phone:** 262-358-0337

Finance Committee: Todd U, Leo M, Doreen H, Joan J, Matt Z, Drew A

**Sponsors Service Position:** Finance Committee Secretary

### **Describe your proposal (Attach any supporting documentation):**

That the current Assembly Action addressing mileage reimbursement:

“2001/03/04 That Area 75 pay mileage for Area Officers and Committee Chairs in an amount equal to that which GSO pays the delegate for driving mileage when attending the General Service Conference. This amount’s rate is sent to the delegate each year prior to his/her attendance at the General Service Conference and should be updated automatically upon its receipt by the delegate.” (page 5-9 of Area 75 Assembly Actions)

be rescinded and replaced with:

“Area Officers and Committee Chairs will be reimbursed for mileage in an amount equal to the amount allowed for charitable work as addressed in the U.S. statutes and subsequently interpreted by the IRS.”

### **List the primary benefits of your proposal to the area.**

By reimbursing our trusted servants at a rate greater than the allowable charitable rate, we are making it necessary for them to report the amount reimbursed that is greater than the charitable rate as taxable income. By bringing Area 75’s mileage reimbursement policy in line with the U.S. tax code, we relieve our trusted servants of the burden of reporting income derived from mileage reimbursement.

The problem is addressed in an informational letter at <http://www.irs.gov/pub/irs-wd/00-0031.pdf> (copy attached.) The concluding language is clear:

Consequences of Overpayment. If the Agency reimburses more than the volunteer’s actual gasoline and oil expenses, the excess amount paid is income to the recipient. If the Agency reimburses using the business rate of 32.5<sup>1</sup> cents per mile, the excess over the 14 cent charitable rate is income to the recipient. This is because the business standard mileage rate includes vehicle ownership expenses such as repair expenses, depreciation, and insurance, which are not costs incurred by the volunteer on behalf of the Agency.

The problem is further addressed in an informational letter found at <http://www.irs.gov/pub/irs-wd/00-0049.pdf> (copy attached.)

In Rev. Rul. 80–99, 1980-1 C.B. 10, the IRS ruled that reimbursements for expenses incurred by a taxpayer on behalf of another in a non-employment context are not includible in the taxpayer’s gross income, provided the reimbursement does not exceed the actual expenses. Thus, the Agency’s reimbursement to a volunteer of out-of-pocket transportation costs incurred on its behalf is not includible in the volunteer’s gross income. However, if the Agency’s reimbursement exceeds the

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<sup>1</sup> Business rate in effect at time the letter was written.

volunteer's actual substantiated operating expenses, the excess is includible in the volunteer's gross income.

Reimbursement mileage rates for charitable organizations are set by statute - US CODE > TITLE 26 > Subtitle A > CHAPTER 1 > Subchapter B > PART VI > §170 > 170(i).

The reimbursement rates published by the IRS for 2010 are:

- 50 cents per mile for business miles driven
- 16.5 cents per mile driven for medical or moving purposes
- 14 cents per mile driven in service of charitable organizations

The Area reimbursed mileage at rate of 41.5 cents during 2009 and the 2010 rate is also set 41.5.

In the opinion letters cited earlier in the proposal, the IRS states that a volunteer can be reimbursed at the actual cost to operate the vehicle, where the actual cost is calculated using the cost of fuel & oil, when such costs exceeds the fourteen cents set by statute. If this proposal passes, this interpretation can be applied so that no one loses money as a result of high fuel costs and low vehicle mileage.

Cost to operate an automobile assuming a fuel cost of \$2.50/gal and a \$30 oil change every 5000 miles		Cost to operate an automobile assuming a fuel cost of \$3.00/gal and a \$30 oil change every 5000 miles	
Mileage (MPG)	Cost (\$/mile)	Mileage (MPG)	Cost (\$/mile)
15	0.17	15	0.21
17	0.15	17	0.18
19	0.14	19	0.16
21	0.13	21	0.15
23	0.11	23	0.14
25	0.11	25	0.13
15	0.17	15	0.21

The business rate does not apply to the Area because the Area is not an incorporated or legally recognized entity. The Area is simply a group of volunteers.

The Delegate is eligible for the business rate reimbursement from GSO when acting on behalf of GSO because he or she is acting as an agent of an incorporated business.

When acting on behalf of the Area, the Delegate would be reimbursed at the volunteer (charitable organization) rate.

**Estimate any funding required. Outline where funding would come from. Explain whether this is a one-time or ongoing expense.**

No additional funding required. Printing of updates to the Assembly Actions is a budgeted item.

INTERNAL REVENUE SERVICE

Index Numbers:

162.03-01

170.15-00

April 7, 2000

Number: **INFO 2000-0031**

Release Date: 6/30/2000

The Honorable John E. Sweeney  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Mr. Sweeney:

This letter is in response to your inquiry dated March 14, 2000, on behalf of your constituent, [REDACTED] is the Director of the [REDACTED] in the [REDACTED] (the Agency.)

The Agency reimburses volunteers their expenses for driving their private vehicles to perform services on behalf of the Agency. The volunteers receive no compensation for their services, only reimbursement by mileage. Most of the volunteers are retired and living on fixed incomes. Some volunteers may be forced to drop out of the Agency's volunteer driver pool because the price of gas is escalating while the reimbursement rate paid by the Agency remains fixed.

[REDACTED] wants the Internal Revenue Service (IRS) to consider amending the mileage reimbursement rate for volunteers because of increasing gasoline prices. The IRS cannot change the rate, which is set by statute. I hope the following information will help explain the federal income tax rules applicable to the volunteer drivers.

In Rev. Rul. 80-99, 1980-1 C.B. 10, the IRS ruled that reimbursements for expenses incurred by a taxpayer on behalf of another in a non-employment context are not includible in the taxpayers's gross income, provided the reimbursement does not exceed the actual expenses. Thus, the Agency's reimbursement to a volunteer of out-of-pocket transportation costs incurred on its behalf is not income to the volunteer.

**Reimbursement By Mileage.** Under Rev. Proc. 99-38, 1999-43 I.R.B. 525, taxpayers may calculate the value of using an automobile for business, moving, medical, or charitable purposes, by mileage without keeping records of actual expenses. But generally taxpayers must still keep records of the miles, time, place (or use), and purpose of mileage in order to receive reimbursement. The standard mileage rate system is a convenient way to determine the amount of reimbursements.

The standard mileage rate for volunteers providing service to a government or charitable organization is set by § 170(i) of the Internal Revenue Code at 14 cents per mile. The IRS has no administrative authority to raise the rate—it can only be

increased by a change to the statute. The rate was raised from 11 to 14 cents per mile by § 973(a) of the Taxpayer Relief Act of 1997, effective for taxable years beginning after December 31, 1997.

**Reimbursement of Actual Costs.** Instead of using the charitable standard mileage rate, the Agency may reimburse actual gasoline and oil expenses incurred on behalf of the Agency. This allows the Agency to provide for increased fuel prices. To allocate costs, the volunteer should report to the Agency the total gasoline and oil expenses, the total miles driven, and the miles, time, place (or use), and purpose of mileage driven in service of the Agency. The Agency may reimburse the volunteer tax-free the percentage of those expenses equaling the percentage of miles driven on behalf of the Agency.

**Consequences of Overpayment.** If the Agency reimburses more than the volunteer's actual gasoline and oil expenses, the excess amount paid is income to the recipient. If the Agency reimburses using the business rate of 32.5 cents per mile, the excess over the 14 cent charitable rate is income to the recipient. This is because the business standard mileage rate includes vehicle ownership expenses such as repair expenses, depreciation, and insurance, which are not costs incurred by the volunteer on behalf of the Agency.

I enclose a copy of Publication 526, *Charitable Contributions*, for a further explanation (on page 4) of using a personal vehicle for the benefit of a charitable or governmental organization. I hope the above information is helpful. If you have any questions, please call me at (202) 622-4920, or call John T. Sapienza, Jr., Identification Number 50-6383, at the same number.

Sincerely,

Deputy Assistant Chief Counsel  
(Income Tax & Accounting)

By \_\_\_\_\_  
Robert A. Berkovsky  
Chief, Branch 2

Enclosure

INTERNAL REVENUE SERVICE

U.I.L.: 170.16-00

Number: **INFO 2000-0049**

Release Date: 6/30/2000

The Honorable John M. McHugh  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Mr. McHugh:

Commissioner Rossotti asked me to respond to your inquiry dated April 5, 2000, on behalf of your constituent, [REDACTED]

[REDACTED] in the State of New York (the Agency).

The Agency reimburses volunteers for the expenses incurred in driving their privately owned vehicles on behalf of the Agency. The volunteers receive no compensation for their services, but receive reimbursement for vehicle mileage. [REDACTED] states that most of the volunteers are retired and living on fixed incomes and that some may be forced to drop out of the Agency's volunteer driver pool because the price of gasoline is escalating while the mileage reimbursement rate paid by the Agency remains fixed. [REDACTED] letter indicates that the Agency is reimbursing volunteers at a 32.5 cent per mile rate. He asks that the Internal Revenue Service (IRS) consider amending the mileage reimbursement rate for volunteers because of increasing gasoline prices.

As discussed below, The IRS cannot change the optional charitable standard mileage rate because it is set by statute. Information that I hope will help explain the federal income tax rules applicable to charitable volunteer drivers is also provided.

**Reimbursement Through Use of the Optional Charitable Mileage Rate.** Under Rev. Proc. 99-38, 1999-43 I.R.B. 525, taxpayers may calculate the cost of using an automobile for business, moving, medical, or charitable purposes by using the optional mileage rate without keeping records of actual expenses. But generally, taxpayers must keep records of miles traveled, as well as the time, place (or use), and purpose of the transportation in order to substantiate the correct reimbursement amount. The optional standard mileage rate system is a convenient way to determine the amount of reimbursements.

The optional standard mileage rate for volunteers providing service to a government or charitable organization is set by § 170(i) of the Internal Revenue Code at 14 cents per mile. The IRS has no administrative authority to raise the rate established by the Congress; it can only be raised by a change to the statute. The rate was raised from 11

cents per mile to 14 cents per mile by § 973(a) of the Taxpayer Relief Act of 1997, effective for taxable years beginning after December 31, 1997.

**Reimbursement of Actual Costs.** Instead of using the optional charitable standard mileage rate, the Agency may reimburse actual substantiated operating expenses, including gasoline and oil expenses, incurred by volunteers on behalf of the Agency. This reimbursement method allows the Agency to account for increased fuel prices. It should be noted, however, that expenses for repairs, depreciation, and insurance are generally not costs incurred by the volunteer on behalf of a charity and should not be subject to reimbursement.

It appears from [REDACTED] letter that use of the 14 cents per mile optional standard mileage rate is appropriate rather than the 32.5 cents per mile rate to which he refers. In Rev. Rul. 80-99, 1980-1 C.B. 10, the IRS ruled that reimbursements for expenses incurred by a taxpayer on behalf of another in a nonemployment context are not includible in the taxpayer's gross income, provided the reimbursement does not exceed the actual expenses. Thus, the Agency's reimbursement to a volunteer of out-of-pocket transportation costs incurred on its behalf is not includible in the volunteer's gross income. However, if the Agency's reimbursement exceeds the volunteer's actual substantiated operating expenses, the excess is includible in the volunteer's gross income. In such circumstances, the Agency may also have an attendant information reporting obligation.

I hope this information is helpful. Please contact me at (202) 622-4810 or George H. Bradley, Identification Number 50-00741, at (202) 622-4920 if we may be of further assistance.

Sincerely,

Lewis J. Fernandez  
Deputy Assistant chief Counsel  
(Income Tax and Accounting)