



Charitable Standard Mileage Rate: Considerations for the 111th Congress

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Summary

Three standard mileage rates are operative for the individual income tax. Two of these rates are reviewed and adjusted at least once a year by the Internal Revenue Service (IRS). These are the rate for medical and moving purposes, and the rate for business purposes. Effective January 1, 2010, the IRS lowered the medical and moving standard mileage rate from 24 cents to 16.5 cents per mile and the business standard mileage rate from 55 cents to 50 cents per mile. In contrast, the third rate, the charitable standard mileage rate, which is set by statute under Section 170(i) of the Internal Revenue Code, remained at 14 cents per mile, where it has been since 1998.

The charitable standard mileage rate serves two purposes. It is used to determine the size of the itemized deduction a taxpayer may claim for unreimbursed automobile expenses incurred in charitable volunteer work. The optional standard mileage rate is a simplified alternative to keeping track of actual deductible automobile expenses. The charitable standard rate also determines the amount of mileage reimbursement that a volunteer may receive tax-free from a charitable organization.

There are three basic questions for Congress to consider in evaluating whether the charitable standard mileage rate should be changed. First, should the charitable mileage rate continue to be set by statute, or should authority to set the rate be returned to the Secretary of the Treasury and the IRS? Second, where should the charitable rate be set relative to the other two standard mileage rates, and why? Should the charitable rate be equal to, or higher than, the medical and moving rate? If higher, specifically what additional costs should be included? Should the charitable rate be as high as the business rate? If so, why? And third, should reimbursed mileage expenses be treated more favorably than unreimbursed expenses?

Six bills addressing the charitable mileage rate were introduced in the first session of the 111th Congress. Four bills would raise the charitable standard mileage rate, but to different levels. H.R. 345 would raise it to the business rate. Companion bills H.R. 524 and S. 243 would give the Secretary of the Treasury the authority to set the charitable rate, but at not less than the medical standard mileage rate. H.R. 271 would permanently set at 58.5 cents per mile the rate that applies to the delivery of meals to homebound individuals who are elderly, disabled, frail, or at risk. Four bills would raise the tax-free charitable reimbursement rate to the business standard mileage rate: companion bills H.R. 524 and S. 243, H.R. 590, and S. 285. S.Amdt. 572 (intended to be the managers' amendment to H.R. 1, the economic stimulus bill, but never offered) would have made these changes temporarily; it would have given the Treasury Secretary the authority to set the charitable rate at not less than the medical standard mileage rate and would have set the tax-free charitable reimbursement rate equal to the business mileage rate, both through year-end 2010.

CRS calculations show that, under current tax law, volunteers who are reimbursed for their driving expenses receive far more favorable treatment after tax than those who claim unreimbursed mileage as an itemized deduction. This imbalance exists even when the tax-free amount and the deductible amount are the same cents per mile, as they are under current law. Setting the tax-free reimbursement amount higher than the deductible amount would widen the existing disparity in after-tax benefits. No clear reasons have been offered for increasing the preferential tax treatment of charitable mileage reimbursement relative to the charitable mileage deduction, as several bills propose to do.

This report will be updated during the second session of the 111th Congress, as events warrant.

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Overview

Three standard mileage rates are operative for the individual income tax. Two of these rates are reviewed and adjusted at least once a year by the Internal Revenue Service. These are the rate for medical and moving purposes, and the rate for business purposes. In contrast, the third rate, the charitable rate, is set by statute in Internal Revenue Code (IRC) Section 170(i), at 14 cents per mile, where it has remained since 1998.

This dichotomy in how the standard mileage rates are set attracted considerable attention during the summer of 2008. In response to a sharp rise in gasoline prices in the first half of 2008, on June 23, 2008, the Internal Revenue Service (IRS) announced an unusual mid-year increase in the optional standard mileage rates for the second half of 2008, for the two mileage rates it has the authority to set. The IRS raised the standard mileage rate for business use of a personal passenger automobile from 50.5 cents per mile during the first six months of 2008, to 58.5 cents per mile, effective July 1, 2008, through December 31, 2008. It raised the standard rate for medical and moving purposes from 19 cents to 27 cents per mile for the same time period. But, adhering to the statutory provision, the charitable standard mileage rate remained at 14 cents per mile.

Reflecting the decline in gasoline prices during the second half of 2008, effective January 1, 2009, the IRS lowered the July-December 2008 rates partway back to their January-June 2008 levels. For 2009, the standard business mileage rate was reduced from 58.5 cents to 55 cents per mile, and the medical and moving rate from 27 cents to 24 cents per mile. Reflecting a further decline in the price of gasoline during 2009, effective January 1, 2010, the IRS lowered the rates again, this time below their January-June 2008 levels. For 2010, the standard business mileage rate was reduced from 55 cents to 50 cents per mile, and the medical and moving rate from 24 cents to 16.5 cents per mile. The charitable standard mileage rate has remained at 14 cents per mile throughout. **Table 1** shows the three standard mileage rates in effect for 2003 through 2010.

Table 1. Optional Standard Mileage Rates for Charitable, Medical and Moving, and Business Purposes, 2003-2010
(cents per mile)

Purpose	2003	2004	2005	2006	2007	Jan. -June 2008	July-Dec. 2008	2009	2010
Charitable	14	14	14	14	14	14	14	14	14
Medical and moving	12	14	15	18	20	19	27	24	16.5
Business	36	37.5	40.5/48.5 ^a	44.5	48.5	50.5	58.5	55	50

Sources: The charitable mileage rate of 14 cents per mile is set in Sec. 170(i) of the Internal Revenue Code. The business and medical and moving rates are from the U.S. Internal Revenue Service. Rates for 2003: IRS Rev. Proc. 2002-61, 2002-2 CB 616. Rates for 2004 and 2005: IRS News Release IR-2004-139, Nov. 17, 2004. Rates for 2006: IRS Rev. Proc. 2005-78. Rates for 2007: IRS News Release IR-2006-168, Nov. 1, 2006. Rates for January 1 - June 30, 2008: IRS News Release IR-2007-192, Nov. 27, 2007. Rates for July 1 - December 31, 2008: IRS News Release IR-2008-82, June 23, 2008. Rates for 2009: IRS News Release IR-2008-131, Nov. 24, 2008. Rates for 2010: IRS News Release IR-2009-111, Dec. 3, 2009. Available on the IRS website <http://www.irs.gov>.

a. The business standard mileage rate was 40.5 cents for January through August, 2005, and 48.5 cents for September through December, 2005.

The optional standard mileage rates are used to calculate the tax-deductible costs of operating a personal passenger automobile¹ for business, charitable, medical, or moving purposes. The business standard mileage rate is commonly used by both private businesses and government organizations as the rate at which they reimburse employees who use their personal automobile for business purposes of the employer. The business standard mileage rate also serves as the upper limit for tax-free reimbursement of automobile expenses by an employer.

The optional charitable standard mileage rate is used to calculate the size of the itemized charitable deduction that a taxpayer may claim for certain unreimbursed out-of-pocket expenses of using his or her own automobile to conduct volunteer work. The charitable standard rate also determines the amount of mileage reimbursement that a volunteer may receive tax-free from a charitable organization.

The legislative history of IRC Sec. 170(i)² suggests that, both times it set the rate, Congress felt that the charitable standard mileage rate should be slightly higher than the medical and moving rate, but not as high as the business rate. However, no formal criteria or guidelines were ever provided to help maintain the difference in rates in the future—in either the law setting the charitable rate, official explanations of the legislation, or regulations related to the law. Based on previous practices, it is likely that if authority to set the charitable rate were returned to the IRS absent such instructions from Congress, or with the stipulation that it be set no lower than the medical rate, the IRS would again set the charitable rate equal to the medical and moving rate. Hence, if Congress wants the charitable rate to be set higher than the medical and moving rate, it may need to state the basis for the difference in rates.

In evaluating the prospect of changing the charitable mileage rate from the 14-cents-per-mile level currently set in the Internal Revenue Code, there are three basic sets of questions for Congress to consider:

- Should the charitable standard mileage rate continue to be set by statute? Or, should the authority to regularly review and set the charitable rate be returned to the Secretary of the Treasury and the IRS?
- At what level should the charitable rate be set relative to the other two standard mileage rates? Should the charitable rate be equal to, or higher than, the medical and moving rate? If higher, specifically what additional costs should be included? Should the charitable rate be as high as the business rate? If so, what reasoning would justify that?
- Should volunteers who receive mileage reimbursements from their charitable organizations receive more generous tax treatment than volunteers who deduct their unreimbursed automobile expenses? If not, what changes can be made to the tax treatment of mileage reimbursements, mileage deductions, or both to help equalize their benefits?

The IRS could help Congress address these questions by sharing more information about the individual cost items that it includes as deductible automobile costs, and the monetary value it

¹ The term “automobile” in this context encompasses vans, pickups, and panel trucks. Internal Revenue Service, Rev. Proc. 2009-54, Dec. 3, 2009, Section 4.01(1).

² See the section on “Legislative History” later in this report.

assigns to each of these cost components, in setting the medical and moving and the business standard mileage rates.

This report presents CRS calculations of the tax saving per mile from a charitable mileage deduction, at each of the six marginal tax rates under the individual income tax, at the current rate of 14 cents per mile and at alternative charitable mileage rates proposed in the bills introduced. It also compares the value of mileage reimbursements after tax under different scenarios to the tax savings from mileage deductions. The calculations reveal large differences in the tax saved per mile deducted, depending upon the value of the standard mileage rate and the marginal tax rate. This highlights the importance of having Congress or the Internal Revenue Service justify the differences among the standard mileage rates for different purposes.

The calculations show that tax-free reimbursement is worth more than a deduction, even if they are valued at the same rate per mile. Setting the tax-free reimbursement amount higher than the deductible amount would widen the existing disparity in after-tax benefits. Several bills introduced in the first session of the 111th Congress (reintroduced from the 110th Congress) would raise the level of tax-free reimbursement for volunteers up to the business standard mileage rate, without increasing the standard mileage rate for deducting the unreimbursed car expenses of volunteers above the current level of 14 cents per mile. The proposals do not explain or justify increasing the preferential tax treatment of charitable mileage reimbursement relative to the charitable mileage deduction.

Why the Standard Mileage Rates for Charitable, Medical, and Moving Purposes are Lower than the Business Rate

Numerous items in the tax code are “indexed” for inflation. That is, their numeric value is automatically adjusted over time, based on a general inflation index.³ But an automatic adjustment based on a general inflation index is not seen as appropriate in the case of the standard mileage rates, which are linked to the cost of gasoline per mile driven. The price of gasoline has a history of moving independently from the general inflation rate. Also, changes in the fuel efficiency of automobile engines over time affect the average cost of gasoline per mile driven.

Instead, the IRS is responsible for monitoring and adjusting the standard mileage rates for business purposes and for medical or moving purposes.⁴ The IRS determines the rates based on an annual study conducted by a private company, currently Runzheimer International, of the fixed

³ The specific price index used is the so-called CPI-U, the Consumer Price Index for all Urban consumers.

⁴ The general deductibility of travel expenses for these three purposes is provided for in three separate sections of the Internal Revenue Code: Sec. 162(a)(2) allows a deduction for business purposes; Sec. 213(d)(1)(B) allows a deduction for medical purposes; and Sec. 217(b)(1)(B) allows a deduction for moving purposes. It is the IRS that developed the administrative procedures which set the optional standard mileage rate at the same amount for medical and moving purposes, and the business standard mileage rate at a higher amount. As a consequence, we refer to only two IRS-determined standard mileage rates—a joint medical and moving rate and a separate business rate.

and variable costs of operating a car.⁵ The IRS typically announces in November the rates to take effect on January 1 of the coming year.

The standard mileage rates for charitable and for medical and moving purposes have traditionally been set much lower than the rate for business purposes. That is because they reflect only the “variable costs” of using an automobile, and not the “fixed costs.”

As shown in **Table 2**, in the case of the medical and moving rates, variable costs include gasoline (and the federal, state, and local taxes thereon), oil, maintenance, and tires and tire repairs. These are costs that are expected to vary in proportion to the number of miles driven. In addition to these variable costs, the business standard mileage rate also incorporates certain “fixed costs” of owning an automobile, specifically depreciation,⁶ license and registration fees, and insurance.⁷

This difference is based on the general reasoning that it is unlikely that an individual would purchase a car primarily for the purpose of doing volunteer work, getting to medical appointments, or moving his or her residence to locate near a new job. In contrast, needing a car to do one’s job⁸ may be the primary reason for owning a vehicle.

In relation to the Katrina Emergency Tax Relief Act of 2005, the Joint Committee on Taxation (JCT) provided the following explanation of why the charitable rate is lower than the business standard mileage rate:

The standard mileage rate for charitable purposes is lower than the standard business rate because the charitable rate covers only the out-of-pocket operating expenses (including gasoline and oil) directly related to the use of the automobile in performing the donated services that a taxpayer may deduct as a charitable contribution. The charitable rate does not include costs that are not deductible as a charitable contribution such as general repair or maintenance expenses, depreciation, insurance, and registration fees. Such costs are, however, included in computing the business standard mileage rate.⁹

But the JCT did not explain reasons why, or based on what cost factors, the charitable rate had been set higher than the medical and moving rate in the past and was set even higher (at 70% of the business standard mileage rate) for volunteer driving in the aftermath of Hurricane Katrina. Nor had the JCT addressed this question in either 1984 or 1997, when Congress raised the charitable rate above the medical and moving rate set by the IRS.¹⁰

⁵ Diane Freda, “Sen. Coleman, NTEU Urging IRS to Boost Mileage Reimbursement Rate,” *Daily Tax Report*, No. 115, June 16, 2008, p. G-1.

⁶ This is a measure of depreciation according to the tax rules, not economic depreciation.

⁷ In addition, interest relating to the purchase of an automobile as well as state and local personal property taxes that depend on the value of the car may be deducted separately, to the extent allowable under IRC Sec. 163 (itemized deductions for interest) or Sec. 164 (itemized deductions for taxes), respectively. IRS, Rev. Proc. 2009-54, Dec. 3, 2009, also published in Internal Revenue Bulletin 2009-51, Dec. 21, 2009, Sec. 5.04 under business standard mileage rate, repeated in Sec. 7.04 under charitable and medical and moving standard mileage rates.

⁸ Income tax deductions are not permitted for the expenses of commuting to and from a job.

⁹ U.S. Congress, Joint Committee on Taxation, *Technical Explanation of H.R. 3768, the “Katrina Emergency Tax Relief Act of 2005” as passed by the House and the Senate on September 21, 2005*, 109th Cong., 1st Sess., JCX-69-05, Sept. 22, 2005, p. 21, repeated on p. 23.

¹⁰ Descriptions of the increase in the charitable standard mileage rate made by Deficit Reduction Act of 1984 and the Taxpayer Relief Act of 1997 are presented later in this report, in the section on Legislative History.

Table 2. CRS's Analysis of Variable and Fixed Automobile Costs in the IRS's Medical-and-Moving and Business Standard Mileage Rates for 2008, 2009, and 2010

cents per mile

Cost Item	Jan. – June 2008	July – Dec. 2008	2009	2010
Deductible Variable Costs (included in both the medical and moving and the business standard mileage rates)				
gasoline (and the federal, state, and local taxes thereon)	NA	NA	NA	NA
oil	NA	NA	NA	NA
maintenance	NA	NA	NA	NA
tires and tire repair	NA	NA	NA	NA
Subtotal: Variable Costs = Medical and Moving Standard Mileage Rate	19	27	24	16.5
Deductible Fixed Costs (additional costs included only in the business standard mileage rate)				
depreciation or lease payments	21	21	21	23
license plate and car registration fees	10.5	10.5	10.0	10.5
insurance (personal liability and property damage)				
Subtotal: Fixed Costs	31.5	31.5	31.0	33.5
Total: Variable + Fixed Costs = Business Standard Mileage Rate	50.5	58.5	55	50

Sources: Calculations by CRS, as explained in the note below. IRS values in **bold** are from the applicable IRS document cited. The value that the IRS assigns to depreciation is presented in Section 5.05 of each Rev. Proc., under the subheading of depreciation for the business standard mileage rate. January – June, 2008 values were obtained from IRS Rev. Proc. 2007-70, published in Internal Revenue Bulletin 2007-50, Dec. 10, 2007. July – December 2008 values from IRS Announcement 2008-63 on Increase in Optional Standard Mileage Rates for 2008, June 23, 2008. 2009 values from IRS, Rev. Proc. 2008-72, Nov. 24, 2008, also published in Internal Revenue Bulletin 2008-50, Dec. 15, 2008. 2010 values from IRS Rev. Proc. 2009-54, Dec. 3, 2009, also published in Internal Revenue Bulletin 2009-51, Dec. 21, 2009.

Notes: NA = not available. CRS derived the numbers shown in regular type from the three numbers made available by the IRS shown in **bold**, as follows. CRS defined the medical and moving standard mileage rate as the subtotal of the deductible variable costs, and the business standard mileage rate as the total of deductible variable costs plus fixed costs. The subtotal of fixed costs was derived by subtracting the medical and moving standard mileage rate from the business rate. Finally, the IRS depreciation figure was subtracted from total fixed costs to estimate the combined cost allotted to license plate and car registration fees plus car insurance.

It is noteworthy that the IRS's explanation to taxpayers of which charitable driving expenses are deductible and not deductible suggests that the charitable standard mileage rate should be lower than the medical and moving rate.¹¹ At issue is whether or not maintenance and tire expenses are deductible for charitable purposes. In **Table 2** they are classified as variable costs reflected in the medical and moving rate. In contrast, **Table 3** shows that the only car expenses the IRS lists as deductible for charitable purposes are gasoline and oil. In fact, the IRS explicitly states that

¹¹ U.S. Department of the Treasury, Internal Revenue Service, *Your Federal Income Tax*, For Individuals, For use in preparing 2009 Returns, Publication 17, p. 166. The same information can be found in: IRS, *Charitable Contributions*, For use in preparing 2009 Returns, Publication 526, p. 5.

maintenance and tire expenses are not deductible, along with depreciation, car registration fees, and insurance.¹²

This explanation to taxpayers is at odds, however, with definitions set forth in the IRS revenue procedure that explains the optional standard mileage rates for 2010. According to Sec. 7.03 of IRS Rev. Proc. 2009-54, the costs that are deductible as a charitable, medical, or moving expense are “ ... all variable expenses (including gasoline and oil)... ” Elsewhere in Rev. Proc. 2009-54, Sec. 4.04 and Sec. 8.02(3) both list tires and routine maintenance and repairs as variable costs.¹³

Table 3. Automobile Costs Deductible and Not Deductible as a Charitable Expense, According to IRS Instructions to Taxpayers

Deductible
gasoline
oil
Not Deductible
general repair and maintenance
tires
depreciation
registration fees
insurance

Source: U.S. Department of the Treasury, Internal Revenue Service, *Your Federal Income Tax*, For Individuals, For use in preparing 2009 Returns, Publication 17, p. 166, or *Charitable Contributions*, Publication 526, p. 5.

As previously indicated in **Table 2**, the value assigned by the IRS to the individual cost components of the standard mileage rates, other than depreciation, is not publicly available, for proprietary and confidentiality reasons. Consequently, we do not know what portion of the medical and moving standard mileage rate set by the IRS reflects the cost of gasoline and oil, and what portion reflects maintenance and tires. Therefore, we do not know how the value assigned to gasoline and oil alone compares to the current statutory charitable standard mileage rate of 14 cents per mile. More detailed information from the IRS about the values assigned to the individual components of fixed costs could help address the question of what additional costs might be included if Congress decides that the charitable standard mileage rate should be higher than the medical and moving rate, but not as high as the business rate.

The right-hand side of **Table 2** presents CRS’s attempt to identify the numeric values that the IRS places on the different cost components of the standard mileage rates. It focuses on the most recent three years, 2008-2010, with 2008 having different values for the first and last six months. The numbers made public by the IRS are shown in **bold** type. The numbers in regular type were derived by CRS.¹⁴ CRS defined the medical and moving standard mileage rate as the subtotal of variable costs, and the business standard mileage rate as the sum of deductible variable plus fixed

¹² See footnote 17 for the IRS’s instructions to taxpayers.

¹³ Internal Revenue Service, Rev. Proc. 2009-54, Dec. 3, 2009, also published in Internal Revenue Bulletin 2009-51, Dec. 21, 2009.

¹⁴ See the notes to **Table 2** for an explanation of how CRS derived the numbers.

costs. It provides possible explanations of why the change in the standard business mileage rate was or was not equal to the change in the medical and moving rate. The reasons appear to differ for each of the three IRS rate-adjustments examined in **Table 2**.

Between the first and second halves of 2008, the equal increase in the two standard mileage rates can be traced entirely to an increase in variable costs of 8 cents per mile (presumably due to the higher price of gasoline). Both the medical and moving rate and the business rate increased by 8 cents per mile (from 19 to 27, and 50.5 to 58.5, respectively), while the amount that the IRS assigned to depreciation remained at 21 cents per mile.

Between the last half of 2008 and 2009, the medical and moving rate decreased by 3.0 cents per mile (from 27 to 24), but the business rate decreased by 3.5 cents (from 58.5 to 55). This suggests that the subtotal for fixed costs fell from 31.5 to 31.0 cents. But the amount the IRS assigned to depreciation remained at 21 cents. This suggests that the amount the IRS assigned to license plate and car registration fees fell from 10.5 to 10.0 cents.

Between 2009 and 2010, variable costs, as reflected in the medical and moving rate, fell by 7.5 cents per mile, from 24 to 16.5. By contrast, the total of variable plus fixed costs, as reflected in the business standard mileage rate, fell by a lesser 5.0 cents per mile, from 50 to 55. One reason for this difference is that the amount that the IRS assigned to depreciation increased by 2 cents per mile, from 21 to 23. But CRS's derived subtotal for fixed costs rose by 2.5 cents per mile (from 31.0 to 33.5). This suggests that the amount the IRS assigned to license plate and car registration fees rose from 10.0 back to its 2008 level of 10.5 cents per mile. Again, it would be helpful for the IRS to make the factual detail available, to remove the need for such speculation.

The numbers in **Table 2** can be used to suggest the following two examples of guidelines for setting a middle-ground charitable standard mileage rate, somewhere between the medical and moving rate and the business rate. If Congress instructed the IRS to include fixed costs other than depreciation in addition to variable costs, the charitable standard mileage rate would currently be 27 cents per mile (equal to the 16.5-cent medical and moving rate plus the 10.5 cents for fixed costs other than depreciation). If, instead, Congress instructed the IRS to include depreciation in addition to variable costs, the charitable rate would currently be 39.5 cents per mile (equal to the 16.5-cent medical and moving rate plus the 23 cents allowed for depreciation). Other combinations of the cost components listed in **Table 2**, or even other automobile costs, could be used to define the charitable standard mileage rate.

Two Roles of the Charitable Standard Mileage Rate

The charitable standard mileage rate serves two purposes. It is used to determine the amount of the itemized deduction a taxpayer may claim for unreimbursed automobile expenses incurred in charitable volunteer work. The optional charitable standard mileage rate is a simplified alternative to keeping track of actual deductible automobile expenses. The charitable standard rate also determines the amount of mileage reimbursement that a volunteer may receive tax-free from a charitable organization.

Itemized Deduction for Unreimbursed Charitable Mileage Expenses

To encourage support for the charitable sector of the economy, the tax code permits taxpayers to claim contributions to qualified charitable organizations¹⁵ as an itemized deduction on their income tax return.¹⁶ The IRS permits volunteers to deduct certain unreimbursed “out-of-pocket” expenses they incur in providing donated services. That includes certain “variable costs” related to the use of a personal passenger automobile in performing charitable work, specifically spending for gasoline and oil. As an alternative to keeping track of actual gasoline and oil expenses, a volunteer can keep a record of the number of charitable miles driven, and then multiply the total number of charitable miles for the year by the optional charitable standard mileage rate of 14 cents per mile.

Regardless of which computation method is used, a charitable volunteer may not deduct any amount for general repair or maintenance expenses, depreciation, insurance, registration fees, tires, or insurance. Under either method, the taxpayer may, in addition, deduct payments for parking or tolls related to the charitable work.¹⁷

Under either computation method, the taxpayer must keep reliable written records of expenses incurred. Where a taxpayer uses the charitable standard mileage rate to determine a deduction, the IRS has stated that the taxpayer generally must maintain records of miles driven, time, place (or use), and purpose of the mileage. Under the alternate method, the taxpayer generally must maintain a reliable written record of actual expenses incurred.¹⁸ However, there is no ready way for the IRS to verify the deductions for charitable mileage claimed by individuals.

¹⁵ These nonprofit organizations are defined in the Internal Revenue Code Sec. 170(c).

¹⁶ Currently, no income tax deduction for charitable contributions is available to taxpayers who do not itemize deductions, but use the standard deduction instead.

¹⁷ The IRS’s instructions to taxpayers on the deductibility of car expenses for charitable volunteers are as follows:

You can deduct unreimbursed out-of-pocket expenses, such as the cost of gas and oil, that are directly related to the use of your car in giving services to a charitable organization. You cannot deduct general repair and maintenance expenses, depreciation, registration fees, or the costs of tires or insurance.

If you do not want to deduct your actual expenses, you can use a standard mileage rate of 14 cents a mile to figure your contribution.

You can deduct parking fees and tolls, whether you use your actual expenses or the standard mileage rate.

You must keep reliable written records of your car expenses....

Your records must show the name of the organization you were serving and the date each time you used your car for a charitable purpose. If you use the standard mileage rate of 14 cents a mile, your records must show the miles you drove your car for the charitable purpose. If you deduct your actual expenses, your records must show the costs of operating the car that are directly related to a charitable purpose.

U.S. Department of the Treasury, Internal Revenue Service, *Your Federal Income Tax*, For Individuals, For use in preparing 2009 Returns, Publication 17, p. 166 for car expense items and p. 171 for recordkeeping requirements. The same information can be found in: IRS, *Charitable Contributions*, For use in preparing 2009 Returns, Publication 526, p. 5 for car expense items and p. 19 for recordkeeping requirements. Available at <http://www.irs.gov>.

¹⁸ U.S. Congress, Joint Committee on Taxation, *Technical Explanation of H.R. 3768, the “Katrina Emergency Tax Relief Act of 2005” as passed by the House and the Senate on September 21, 2005*, committee print, 109th Cong., 1st (continued...)

Tax-Free Mileage Reimbursements by Charitable Organizations

Under certain circumstances, the tax code permits taxpayers who are reimbursed for expenses that would be deductible to exclude reimbursements up to a certain dollar amount from their taxable income. This is intended to simplify the entries and calculations required on the tax return. In that vein, volunteers who receive reimbursement from a charitable organization for their driving expenses need not report reimbursements up to the charitable standard mileage rate as taxable income. A volunteer has taxable income only to the extent that the reimbursement exceeds his or her deductible travel costs.¹⁹

For a volunteer using the charitable standard mileage rate option, deductible travel costs are 14 cents per mile under current law. Hence, a taxpayer does not need to report as income mileage reimbursements from a charitable organization up to the charitable standard mileage rate of 14 cents. But a volunteer should report as gross income reimbursement in excess of 14 cents per mile.²⁰

In addition, Section 6041 of the Internal Revenue Code requires anyone engaged in a trade or business who makes payments to another person of \$600 or more in a taxable year to file an information return (reporting the name and address of the recipient and the total amount of payments during the year) both with the IRS and with the person who received the payment. These information returns are also known as 1099 forms. Thus, a charitable organization that reimburses an individual volunteer for mileage by an aggregate amount of \$600 or more in a single tax year must file these information returns with the IRS and the volunteer. Charitable organizations have complained about the “paperwork” burden of these reporting requirements.

How Much is the Tax Subsidy Worth? Mileage Deduction vs. Tax-Free Reimbursement

The CRS calculations presented in this section show that, under current tax law, volunteers who are reimbursed for their driving expenses receive much more favorable treatment after tax than those who claim unreimbursed mileage expenses as an itemized deduction. This imbalance exists even when the tax-free amount and the deductible amount are the same number of cents per mile, as they are under current law. Setting the tax-free reimbursement amount higher than the deductible amount would widen the existing disparity in after-tax benefits.

(...continued)

sess., JCX-69-05, September 22, 2005, p. 21, repeated on p. 23.

¹⁹ U.S. Congress, Joint Committee on Taxation, *Technical Explanation of H.R. 3768, the “Katrina Emergency Tax Relief Act of 2005” as passed by the House and the Senate on September 21, 2005*, committee print, 109th Cong., 1st sess., JCX-69-05, September 22, 2005, p. 24.

²⁰ For a volunteer using actual costs, if the volunteer’s actual deductible automobile expenses exceed the amount of reimbursement received, the volunteer may claim the excess (unreimbursed expenses) as an itemized charitable deduction.

Mileage Deduction

The IRS does not collect separate data on income tax deductions taken for charitable mileage. Taxpayers include the dollar value of any charitable mileage deductions they may be claiming together with other charitable donations.²¹ **Table 4** presents the information that is available from the IRS about the number of tax returns filed for tax year 2007 that claimed an itemized deduction for charitable contributions, by adjusted gross income (AGI) class. The number of returns claiming a charitable mileage deduction is likely to be far smaller than the total number claiming a deduction for charitable contributions of any kind.

In order to receive a tax benefit from the charitable mileage deduction, a taxpayer must itemize deductions, instead of claiming the standard deduction. As shown in column 4 of **Table 4**, the likelihood of itemizing charitable contributions is higher when the income group is higher.

Only 10% of tax returns with adjusted gross income (AGI) below \$50,000 itemized charitable deductions for 2007 (row 2, column 4). Still, this lowest AGI category reported had the largest absolute number of returns claiming a charitable deduction—10.7 million returns (row 2, column 3). They accounted for 26% of the 41.1 million total number of returns claiming a charitable deduction for 2006 (this percentage is not shown in the table).

Table 4. Number of Tax Returns with Itemized Charitable Deduction, by Adjusted Gross Income (AGI) Class, Tax Year 2007

(1) Adjusted Gross Income (AGI)	(2) Number of Returns	(3) Number of Returns with a Charitable Deduction	(4) % of Returns in AGI Class with a Charitable Deduction
All Returns	154,707,511	41,087,977	27
Under \$50,000	105,552,862	10,653,802	10
\$50,000 - \$75,000	19,386,521	8,572,141	44
\$75,000 - 100,000	11,740,168	7,218,171	61
\$100,000 - \$200,000	13,455,659	10,583,309	79
\$200,000 or more	4,572,301	4,060,554	89

Sources: Numbers of returns from Internal Revenue Service, Table 2. *Individual Income and Tax Data, by State and Size of Adjusted Gross Income, Tax Year 2007, U.S.Total*. Available online at <http://www.irs.gov>, under TaxStats. Percentages in column 4 were calculated by CRS as follows: for each row (each adjusted gross income class), the number of returns with a charitable deduction (column 3) was divided by the total number of returns for the row or AGI class (column 2), and then multiplied by 100.

Notes: The sample includes all tax returns filed for tax year 2007, including those that were nontaxable (had no tax liability) as well as those that were taxable (had tax liability). Each AGI class in **Table 4** includes all types of returns—single, joint, head of household, and married filing separately.

²¹ As out-of-pocket expenses, charitable mileage deductions are claimed together with other charitable gifts made by cash or check on line 16 of Schedule A (for itemized deductions) of the individual income tax return. Internal Revenue Service, *2009 Instructions for Schedule A (Form 1040)*, pp. A-8 – A-9.

Forty-four percent of returns in the \$50,000-\$75,000 AGI class and 61% of returns in the \$75,000-\$100,000 class claimed a charitable deduction. Taxpayers at the high end of the income spectrum are the ones most likely to itemize: 79% of tax returns with AGI from \$100,000 to \$200,000 and 89% with AGI above \$200,000 claimed itemized charitable deductions for 2007 (rows 5 and 6, column 4). But high-income taxpayers are probably more likely to make their charitable donations by check, charge card, or transfer of stock than to do volunteer driving.

The dollar value of the charitable mileage deduction depends upon the volunteer's marginal tax rate. "Marginal tax rate" typically refers to the highest rate (in the set of rising graduated tax rates) that applies to the taxpayer's taxable income. It is the marginal tax rate that determines the income tax savings for each dollar of deduction claimed.

Again, no data are available from the IRS about the marginal tax rates faced by charitable volunteer drivers. **Table 5** presents the marginal tax rate brackets for 2010, for single (column 1) and joint (column 2) returns. Note that the marginal tax rates (column 3) apply to taxable income, not adjusted gross income (AGI).²² The income cutoffs that separate the marginal tax rate brackets are indexed for inflation each year.

Any itemizer who chooses to use the optional charitable standard mileage rate to calculate his or her automobile expenses for volunteer work is permitted the same deduction of 14 cents per mile. However, the amount of federal income tax that is saved per mile deducted varies according to the taxpayer's marginal tax rate.²³ Due to basic tax arithmetic, the higher the taxpayer's marginal tax rate, the higher is the tax saving from a given deductible amount per mile.

As shown in column 4 of **Table 5**, the tax saving is worth 1.4 cents per mile at a 10% tax rate, but 4.9 cents per mile at a 35% tax rate. The vast majority of taxpayers—who do not itemize deductions—receive no tax saving. In contrast, volunteers who are reimbursed for charitable driving expenses may receive (up to) 14 cents per mile tax-free, regardless of their marginal tax rate, and regardless of whether they itemize deductions.

The ratio in column 5 of **Table 5** compares the tax-free reimbursement of 14 cents per mile to the tax savings from a deduction of 14 cents per mile, for each tax bracket. At every marginal tax rate, volunteer drivers who receive a tax-free reimbursement are better off than those who deduct their mileage expenses. All reimbursed volunteers can receive the same 14 cents per mile tax-free, regardless of their marginal tax rate. Again due to the arithmetic of graduated tax rates, the value of the deduction is higher for volunteers who face higher tax rates. Consequently, the relative advantage of reimbursement compared with a deduction declines as the marginal tax rate increases. Still, the ratio remains favorable for every tax bracket. At the lowest tax rate of 10%, tax-free reimbursement of 14 cents is worth ten times as much as a deduction of the same 14 cents per mile. In the two highest tax rate brackets of 33 percent and 35 percent, tax-free reimbursement is worth roughly three times as much as an itemized mileage deduction of the same dollar amount.

²² Taxable income is the amount remaining after subtracting personal exemptions and either the standard deduction for the filing type or the sum of the itemized deductions from adjusted gross income (AGI).

²³ This report does not address the effect of state income taxes on the value of mileage deductions or reimbursements.

Table 5. Tax-Free Reimbursement vs. Tax Saving from Deduction, Both at 14 Cents Per Mile under Current Law

by marginal tax rate and taxable income bracket for tax year 2010

(1) Taxable Income Bracket for Single Filer (over-but not over)	(2) Taxable Income Bracket for Married Filing Jointly (over-but not over)	(3) Marginal Tax Rate	(4) Tax Saving Per Charitable Mile Deducted	(5) Value of Reimbursement Relative to Deduction
\$0 - \$8,375	\$0 - \$16,750	.10	\$.014	10.0
8,375 - 34,000	16,750 - 68,000	.15	.021	6.7
34,000 - 82,400	68,000 - 137,300	.25	.035	4.0
82,400 - 171,850	137,300 - 209,250	.28	.039	3.6
171,850 - 373,650	209,250 - 373,650	.33	.046	3.0
373,650	373,650	.35	.049	2.9

Sources: Marginal tax rates and corresponding taxable income bands (columns 1 - 3) from U.S. Department of the Treasury, Internal Revenue Service, (Cost-of-Living Adjustments for 2010), Rev. Proc. 2009-50, Oct. 15, 2009, Section 3.01, Tax Rate Tables; also published in Internal Revenue Bulletin 2009-45, Nov. 9, 2009, pp. 619-621. Income tax savings per charitable mile deducted (column 4) were calculated by CRS by multiplying the charitable standard mileage rate of \$0.14 times the marginal tax rates in column 3. The ratio in column 5 is equal to the tax-free reimbursement of \$0.14 per mile (applicable for all tax rate brackets) divided by the value of the deduction per mile from column 4.

Table 6 compares the federal income tax saving based on the current charitable standard mileage rate of 14 cents per mile with three alternative proposed rates, based on the rates that took effect January 1, 2010. One proposal is to make the charitable rate equal to the medical and moving rate, set by the IRS at 16.5 cents per mile for 2009. Another proposal is to raise the charitable rate up to the standard business mileage rate, set by the IRS at 50 cents per mile for 2010. In between those two is the treatment previously granted to volunteers driving in two federally declared disaster areas—to set the charitable rate at 70% of the business rate. For 2010, that would equal 35 cents per mile (.70 time \$0.50).²⁴ To make the numbers easier to grasp, **Table 6** shows the tax saving per 100 charitable miles deducted, rather than per mile.

Table 6 reveals large differences in the taxes saved from a mileage deduction, depending upon the taxpayer's marginal tax rate and the value set for the charitable mileage rate. At one extreme, shown in the upper left-hand corner of the table, an itemizing volunteer in the 10% rate bracket would save \$1.40 in taxes for every 100 charitable miles driven at the current 14-cent-per-mile rate. At the other extreme, shown in the lower right-hand corner of the table, an itemizing taxpayer in the 35% rate bracket would save \$17.50 in taxes if the 100 miles could be deducted at the current business mileage rate of 50 cents per mile.

The notable differences in tax savings down each column (for a given mileage rate) raise the question of whether the tax subsidy per mile should be given in the form of a tax credit, with equal value to all taxpayers, rather than a deduction, whose value increases according to the taxpayer's marginal tax rate. Furthermore, a credit would be available to non-itemizers as well as

²⁴ When bills were introduced in early 2009, at the beginning of the 111th Congress, the rates were higher: the medical and moving rate was 24 cents per mile, the business rate was 55 cents per mile, and 70% of the business rate was 39 cents per mile.

itemizers. The even larger differences in tax savings across each row (for a given marginal tax rate) point to the importance of having Congress or the IRS justify any differences among the standard mileage rates for different purposes.

Table 6. Income Tax Saving Per 100 Miles, by Marginal Tax Rate, for Mileage Deductions at Alternative Proposed Charitable Standard Mileage Rates

Marginal Tax Rate	Current Charitable Rate \$0.14 Per Mile	Alternative Proposed Charitable Mileage Rates Based on Actual Standard Rates for 2010 (\$ per mile)		
		Medical and Moving Rate \$0.165	70% of Business Rate of \$0.50, or \$0.35	Business Rate \$0.50
.10	\$1.40	\$1.65	\$3.50	\$5.00
.15	2.10	2.48	5.25	7.50
.25	3.50	4.13	8.75	12.50
.28	3.92	4.62	9.80	14.00
.33	4.62	5.45	11.55	16.50
.35	4.90	5.78	12.25	17.50

Source: Calculated by CRS. Each cell is equal to the marginal tax rate from the first column, multiplied by the rate per mile (stated in the column heading), and then multiplied by 100.

Mileage Reimbursement

As was shown previously in **Table 5**, under current tax law, volunteers who are reimbursed for their driving expenses already receive more favorable treatment than those who deduct their unreimbursed driving expenses, both at the charitable standard mileage rate. Nonetheless, several of the charitable mileage bills introduced in the first session of the 111th Congress (reintroduced from the 110th Congress) would further increase the benefits for volunteers who are reimbursed for their driving expenses relative to volunteers who deduct their unreimbursed car expenses.

No data are available on the number of charitable miles that are reimbursed. But the number is likely to be a small percentage of total charitable miles driven. If so, many more volunteers are likely to be affected by the tax treatment of charitable mileage deductions than charitable mileage reimbursements.

Under current tax law, a volunteer does not need to report as income the reimbursement by a charitable organization for out-of-pocket automobile expenses up to the charitable standard mileage rate of 14 cents per mile. However, reimbursement in excess of the charitable standard mileage rate is considered taxable income. Four bills introduced at the start of the 111th Congress in January 2009 would raise the tax-free charitable reimbursement rate to the standard business mileage rate, which was 55 cents per mile for 2009 and is 50 cents per mile for 2010.

There is no rule prohibiting charitable organizations from reimbursing volunteers at more than the charitable standard mileage rate of 14 cents per mile. However, a charitable organization is required to file a report with both the IRS and the recipient if the reimbursement totals more than \$600 to an individual for a tax year. Charities have complained to Members of Congress about the cost of this “paperwork” requirement. Volunteers, not surprisingly, would prefer to receive any reimbursement tax-free.

Table 7 first considers the tax treatment of a reimbursement of 50 cents per mile for charitable driving under current law. Tax would be due on 36 cents, the reimbursement in excess of the charitable standard mileage rate of 14 cents per mile ($50 - 14 = 36$). Column 2 shows the tax due on 36 cents at each of the six marginal tax rates in column 1.

Looking down column 2, we see that the tax due increases together with the marginal tax rate – from 3.6 cents per reimbursed mile at a 10% tax rate, up to 12.6 cents per mile at a 35% tax rate. Column 3 shows the net reimbursement remaining after subtracting the tax from 50 cents. Looking down column 3, we see that as the marginal tax rate increases, the after-value of the 50-cent reimbursement declines—from 46.4 cents in the 10% tax bracket, down to 37.4 cents in the 35% bracket. In short, a taxable reimbursement (of the same dollar amount) has more after-tax value for people in lower tax rate brackets. (This arithmetic is just the opposite of how a deduction works.)

Column 5 of **Table 7** compares the after-tax value of mileage reimbursement at 50 cents per mile under current law, from column 3, with the tax savings from the current mileage deduction of 14 cents per mile, from column 4. For a taxpayer in the 10% bracket, a 50-cent reimbursement after tax would be worth 33.1 times the value of the current 14-cent mileage deduction. For a taxpayer in the top 35% tax rate bracket, the after-tax value of a 50-cent reimbursement would be worth 7.6 times as much as a 14-cent deduction.

Finally, columns 6 and 7 of **Table 7** consider an alternative tax policy (not proposed in any bill) that would increase the benefits for volunteers who pay their own driving expenses and itemize those deductions, relative to volunteers who are reimbursed for their mileage. Under this scenario, unreimbursed charitable mileage could be deducted at the business standard mileage rate, currently 50 cents per mile, instead of 14 cents. But reimbursements would still be taxed as they are under current law. That is, reimbursements in excess of 14 cents per mile would still be taxed. So, if a volunteer is reimbursed at 50 cents per mile, 36 cents of that would be taxable.

Column 6 shows the tax savings per mile, at each tax rate, from a deduction at the current standard business rate of 50 cents per mile. The tax saving rises, from 5.0 cents per mile in the 10% bracket, to 17.5 cents in the 35% bracket.

Column 7 shows the ratio of the after-tax value of a reimbursement of 50 cents, under current tax rules, relative to the tax saving from a deduction raised to the same per-mile rate of 50 cents. Even with the partial taxation of mileage reimbursements, for taxpayers in the 10% rate bracket, the after-tax reimbursement would be worth nine (9.3) times as much as the tax savings from the deduction. For taxpayers in the 35% rate bracket, the after-tax value of the 50-cent reimbursement under current law still would be worth twice (2.1) as much as the tax saved from a deduction of 50 cents. In short, at every marginal tax rate, taxpayers receive a greater monetary benefit from reimbursement, even if a large part of it is taxed, than from a deduction of an equal amount per mile.

Table 7. Reimbursement of 50 Cents After-Tax Relative to Tax Saving from a Deduction at 14 Cents and at 50 Cents Per Mile, by Marginal Tax Rate

(1) Marginal Tax Rate	Current Law				Deduction at Business Mileage Rate	
	(2) Tax on \$.36 (= \$.50- \$.14)	(3) Reimbursement of \$.50 Per Mile, Net of Federal Tax on \$.36	Deduction at Charitable Mileage Rate of 14 Cents Per Mile		Deduction at Business Mileage rate of 50 Cents Per Mile	
			(4) Tax Saving from Deduction	(5) Value of Reimbursement Relative to Deduction	(6) Tax Saving from Deduction	(7) Value of Reimbursement Relative to Deduction
.10	\$.036	\$.464	\$.014	33.1	\$.050	9.3
.15	.054	.446	.021	21.2	.075	5.9
.25	.090	.410	.035	11.7	.125	3.3
.28	.101	.399	.039	10.2	.140	2.9
.33	.119	.381	.046	8.3	.165	2.3
.35	.126	.374	.049	7.6	.175	2.1

Source: Calculated by CRS. Column 2, the tax on the reimbursement, is equal to the marginal tax rate in column 1 times \$0.36 (the amount of the \$0.50 reimbursement that is in excess of the charitable standard mileage rate of \$0.14). Column 3 equals \$0.50 minus the tax in column 2. Column 4 equals \$0.14 times the marginal tax rate in column 1. Column 5 is the ratio of column 3 to column 4. Column 6 equals \$0.50 times the marginal tax rate in column 1. Column 7 is the ratio of column 3 to column 6.

In the cases of two recent disasters, Congress set the tax-free charitable mileage reimbursement rate at a higher level than the charitable mileage deduction rate, on a temporary basis. In the wake of Hurricane Katrina, the Katrina Emergency Tax Relief Act of 2005 (KETRA, P.L. 109-73) provided temporary enhanced tax benefits for charitable driving related to that federally declared disaster. KETRA permitted tax-free reimbursement up to the full business standard mileage rate in effect at the time. Deductions for unreimbursed mileage were permitted at 70% of the business mileage rate. Subsequently, the Heartland Disaster Tax Relief Act of 2008 (Title VII of the financial rescue bill, P.L. 110-343, enacted October 3, 2008) made those same tax benefits available for charitable volunteer driving related to the Midwestern disaster areas of 2008, through the end of 2008. (See the next section on “Legislative History.”)

As previously illustrated in **Table 5**, tax-free reimbursement is worth far more than a deduction even if they are permitted at the same cents per mile. Setting the tax-free reimbursement amount higher than the deductible amount makes the disparity in after-tax benefits even larger. **Table 8** illustrates this effect for the rates that applied in the second half of 2008 for the Midwestern disaster areas.

From July 1, 2008, through December 31, 2008, the business standard mileage rate was 58.5 cents per mile. Seventy percent of that business rate was equal to 41 cents per mile. Column 2 of **Table 8** shows the tax saving per mile from a charitable mileage deduction of 41 cents, at each marginal tax rate. Column 3 shows the ratio of 58.5 cents, the value of the tax-free reimbursement at any tax rate, to the tax saving from a 41-cent deduction, from column 2. For taxpayers in the lowest 10% bracket, the tax-free reimbursement would be worth 14.3 times as much as the permitted deduction. For taxpayers in the top 35% rate bracket, a tax-free reimbursement of 58.5 cents per mile would be worth four (4.1) times as much as a deduction of 41 cents per mile.

Table 8. Disaster-Restricted Provisions: Tax-Free Reimbursement at the Business Rate vs. Deduction at 70% of the Business Rate, by Marginal Tax Rate

(based on values applicable to the Midwestern disaster areas in the second half of 2008 when the business standard mileage rate was \$.585 per mile)

(1) Marginal Tax Rate	(2) Tax Saving Per Mile from a Deduction at 70% of Business Mileage Rate of \$.585, or \$0.41 Per Mile	(3) Ratio of Tax-Free Reimbursement of \$.585 Per Mile Relative to Value of Deduction at \$0.41 Per Mile
.10	\$0.041	14.3
.15	0.062	9.4
.25	0.103	5.7
.28	0.115	5.1
.33	0.135	4.3
.35	0.144	4.1

Source: Calculated by CRS as follows: 70% of the business mileage rate of 58.5 cents per mile (the business rate in effect during the second half of 2008) equals 41 cents per mile. The federal tax savings in column 2 equals \$0.41 times the marginal tax rate in column 1. The ratio in column 3 equals \$0.585 (the value of the tax-free reimbursement at the business mileage rate for any tax rate) divided by the tax saving for the particular tax rate from column 2.

To help summarize the findings, **Table 9** places side-by-side the ratios (of the after-tax values of reimbursement compared to deduction) from **Table 5**, **Table 7**, and **Table 8**. Column 2 of **Table 9** reflects current law. It shows how much more tax-free reimbursement is worth compared to a deduction valued at the same cents per mile (in that example, 14 cents per mile, the current statutory charitable mileage rate), at each marginal tax rate.

Column 3 represents the hypothetical case in which a volunteer is reimbursed at 50 cents per mile but is taxed according to current law on the amount in excess of the 14-cent charitable standard rate. This is compared with claiming a deduction at 50 cents per mile. The ratios in column 3 of **Table 9** show that even if reimbursement in excess of 14 cents per mile is taxed, the after-tax value of the reimbursement is still much larger than the tax savings from a deduction valued at the higher reimbursement rate. The ratios in column 3 are slightly lower than those in column 2. This suggests that the hypothetical policy could somewhat reduce the existing preferential treatment of charitable mileage reimbursements relative to deductions.

Column 4 of **Table 9** uses the rates that P.L. 110-343 made available to volunteers in the Midwestern disaster areas during the last six months of 2008. It permitted tax-free reimbursement at 58.5 cents and deductions at 41 cents per mile. The ratios in column 4 are larger than those in column 2 for current law. This shows that setting the tax-free reimbursement amount higher than the deductible amount per mile widens the existing after-tax advantage of reimbursements compared with deductions.

Table 9. Comparing the Ratios

(after-tax value of reimbursement compared to deduction, per charitable mile)

(1) Marginal Tax Rate	(2) Current Law (tax-free reimbursement and deduction both 14 cents per mile)	(3) Hypothetical Case (reimbursement of 50 cents, of which 36 cents is taxed, and deduction of 50 cents per mile)	(4) Midwestern Disasters of 2008 (tax-free reimbursement of 58.5 cents and deduction of 41 cents per mile)
.10	10.0	9.3	14.3
.15	6.7	5.9	9.4
.25	4.0	3.3	5.7
.28	3.6	2.9	5.1
.33	3.0	2.3	4.3
.35	2.9	2.1	4.1

Sources: Column 2 repeats column 5 of **Table 5**. Column 3 repeats column 7 of **Table 7**. Column 4 repeats column 3 of **Table 8**.

Nonetheless, several bills introduced in the 110th Congress and reintroduced at the beginning of the 111th Congress propose to raise the level of tax-free reimbursement for volunteers up to the business standard mileage rate, while leaving the rate for deducting the unreimbursed car expenses of volunteers at the current level of 14 cents per mile. Although S.Amdt. 572 (Baucus) would have temporarily raised the charitable deduction rate to no less than the medical rate (currently 16.5 cents), that rate would still be far lower than its proposal to set the tax-free reimbursement rate equal to the business rate (currently 50 cents). These proposals do not offer a reason for increasing the preferential treatment of charitable mileage reimbursements relative to charitable mileage deductions.

Legislative History

Overview

Prior to the Deficit Reduction Act of 1984, the IRS set all three of the standard mileage rates. The IRS typically set the charitable rate at the same level as the medical and moving rate, which was much lower than the rate for business purposes. In November 1979, in its last rate adjustment prior to the Deficit Reduction Act, the IRS set the standard mileage rate for charitable, medical, and moving expenses at nine cents per mile, effective in 1980. The business standard rate was set at 20 cents per mile for the first 15,000 miles, and 11 cents per mile above 15,000 miles.²⁵ (**Appendix A** at the end of this report, presents the three standard mileage rates from 1980 through 2010.)

The Deficit Reduction Act of 1984 (P.L. 98-369) added Section 170(i) to the Internal Revenue Code (IRC). It set the charitable mileage rate, by statute, at 12 cents per mile. At the time, the

²⁵ Internal Revenue Service, Rev. Proc. 82-61, 1982-2 C.B. 849; also released as IRS News Release No. IR-82-126, Nov. 3, 1982.

medical and moving rate was 9 cents per mile and the business rate was 21 cents per mile for the first 15,000 miles, and 11 cents per mile for additional miles.

Thirteen years later, the Taxpayer Relief Act of 1997 (P.L. 105-34) raised the charitable rate to 14 cents per mile effective in 1998, where it remains today. For context, in 1997 the medical and moving rate was 10 cents per mile and the business rate was 31.5 cents per mile. In both instances, Congress set the charitable rate a few cents above the existing medical and moving rate, but substantially below the business rate.

The Katrina Emergency Tax Relief Act of 2005 (KETRA, P.L. 109-73) temporarily raised the charitable rate to 70% of the standard business mileage rate for driving specifically related to Hurricane Katrina disaster relief efforts. Alternatively, Katrina volunteers could exclude from their taxable income mileage reimbursements up to the full standard business mileage rate. The Heartland Disaster Relief Act of 2008, part of P.L. 110-343, enacted October 3, 2008,²⁶ made these same enhanced tax benefits available through December 31, 2008, for charitable driving related to the Midwestern disasters of spring 2008.

Deficit Reduction Act of 1984 (P.L. 98-369)

In 1984, Congress decided that the charitable mileage rate should be higher than the IRS-determined rate of nine cents a mile. Sec. 1031 of the Deficit Reduction Act of 1984 (P.L. 98-369) added Section 170(i) to the Internal Revenue Code. This set the charitable standard mileage rate, by statute, at 12 cents per mile. The law ended the IRS's authority to adjust the charitable mileage rate.²⁷ The other two standard mileage rates continued to be set administratively by the IRS.

In its official explanation of the Deficit Reduction Act, the Joint Committee on Taxation (JCT) gave the following reason for the change in the law:

...Congress believed that the standard mileage rate allowed for computation of the charitable deduction for use of a passenger automobile in providing services to a charity should be increased to 12 cents a mile *in order to take into account additional out-of-pocket costs of operation.*²⁸ (Emphasis added.)

The additional costs were not specified in either the law or its accompanying official explanation by the JCT.

²⁶ The Heartland Disaster Relief Act of 2008 is Title VII of P.L. 110-343/H.R. 424. This public law also includes the Emergency Economic Stabilization Act of 2008 (the financial rescue bill), three other acts, and numerous individual provisions.

²⁷ "Since under the Act the standard mileage rate is set by statute, the Internal Revenue Service does not have authority to change, by administrative action, the mileage rate for purposes of computing the charitable deduction allowed for use of a passenger automobile in performing services for a charitable organization." U.S. Congress, Joint Committee on Taxation, *General Explanation of the Revenue Provisions of the Deficit Reduction Act of 1984* (H.R. 4170, 98th Congress; P.L. 98-369), 98th Cong. 2d sess., committee print JCS-41-84, Dec. 31, 1984 (Washington, GPO, 1985), pp. 1134.

²⁸ U.S. Congress, Joint Committee on Taxation, *General Explanation of the Revenue Provisions of the Deficit Reduction Act of 1984* (H.R. 4170, 98th Congress; P.L. 98-369), 98th Cong. 2d sess., committee print JCS-41-84, Dec. 31, 1984 (Washington, GPO, 1985), pp. 1133.

Taxpayer Relief Act of 1997 (P.L. 105-34)

The original House bill (H.R. 2014) contained no provision regarding the charitable mileage rate. Section 767 of the Senate Amendment would have increased the standard charitable mileage rate to 15 cents per mile, indexed for inflation (rounded down to the nearest cent). The conference agreement set the rate at 14 cents per mile, not indexed for inflation.²⁹ Thus, Section 973 of the Taxpayer Relief Act of 1997 (P.L. 105-34) increased the standard mileage rate for charitable use of a passenger automobile from 12 to 14 cents per mile, effective in 1998, and where it remains today. The only official reason that the JCT gave for the rate increase was that Congress believed it was appropriate.³⁰

For points of reference, when the legislation was being drafted in 1997, the IRS-determined business standard mileage rate was 31.5 cents per mile and the medical and moving rate was 10 cents per mile. The business rate had risen by about a penny per year, from 21 cents in 1985 to 31.5 cents in 1997. In contrast, the medical and moving rate had remained at 9 cents per mile from 1980 through 1995. It was raised to 10 cents per mile in 1996. (See **Appendix A.**) As it had done in 1984, in 1997 Congress again set the charitable mileage rate slightly higher than the existing medical and moving rate, but well below the existing business rate.

Katrina Emergency Tax Relief Act of 2005 (P.L. 109-73)

Two special rules were included in the Katrina Emergency Tax Relief Act of 2005 (KETRA, P.L. 109-73) for taxpayers who used their personal vehicle for charitable work related to Hurricane Katrina along the Gulf Coast.³¹ These provisions were temporary and geographically restricted. Both provisions were in effect for the 16-month period from August 25, 2005, through December 31, 2006, only. Taxpayers making use of these provisions were required to substantiate that expenses were incurred in providing relief related to Hurricane Katrina.³²

For purposes of calculating the charitable deduction, Section 303 of KETRA set the standard mileage rate for Hurricane Katrina charity work at 70% of the standard business mileage rate in effect at the time of such use (rounded to the next highest cent), instead of the 14-cents-per-mile standard charitable mileage rate set forth in IRC Sec. 170(i). As a result, the mileage rate for charity work related to Hurricane Katrina was 29 cents per mile from August 25 through August 31, 2005; 34 cents per mile from September 1 through December 31, 2005; and 32 cents per mile from January 1 through December 31, 2006.³³ Sec. 304 of KETRA excluded from the gross

²⁹ U.S. Congress, House, *Taxpayer Relief Act of 1997*, conference report to accompany H.R. 2014, 105th Cong., 1st sess., H.Rept. 105-220, July 30, 1997, pp. 484-85.

³⁰ U.S. Congress, Joint Committee on Taxation, *General Explanation of Tax Legislation Enacted in 1997*, 105th Cong., 1st sess., Joint Committee Print JCS-23-97, December 17, 1997 (Washington: GPO, 1997), p. 165.

³¹ For a summary of each of the sections of P.L. 109-73, see CRS Report RS22269, *Katrina Emergency Tax Relief Act of 2005*, by Erika K. Lunder.

³² Substantiation typically included a written record of the date of service, the number of miles driven, the name(s) of charitable organization(s) served, the locations where the services were provided, and the charitable purposes.

³³ The standard business mileage rate was 40.5 cents per mile from August 25, 2005, through August 31, 2005; 48.5 cents per mile from September 1 through December 31, 2005, and 44.5 cents per mile for all of 2006. Refer back to **Table 1.**

income of volunteers reimbursements from charitable organizations for mileage expenses, up to the standard business mileage rate.³⁴

Heartland Disaster Tax Relief Act of 2008 (Title VII of P.L. 110-343)

The Heartland Disaster Tax Relief Act of 2008 was enacted on October 3, 2008, in conjunction with the Emergency Economic Stabilization Act of 2008 (the financial rescue bill) as part of P.L. 110-343/H.R. 1424. Sections 702(e)(2) and 702(e)(3) of P.L. 110-343 modified the language of Sections 303 and 304, respectively, of KETRA with a change in the applicable dates. Both subsections substituted “beginning on the applicable disaster date and ending on December 31, 2008” for “beginning on August 25, 2005, and ending on December 31, 2006.” In the case of P.L. 110-343, the enhanced tax benefits for volunteer driving were restricted to the federally declared Midwestern disaster areas of 2008. They were in effect from the date of the disaster until the end of 2008.

Both the tax-free and the deductible amount permitted per mile will differ, depending upon whether the charitable driving occurred before or after July 1, 2008. Prior to July 1, 2008, the business standard mileage rate was 50.5 cents per mile, and 70% of that is 36 cents per mile. From July 1, 2008, through December 31, 2008, the business standard mileage rate was 58.5 cents per mile, and 70% of that is 41 cents per mile.³⁵

Bills in the 111th Congress

In January 2009, the first month of the 111th Congress, six bills that had been introduced in the 110th Congress were reintroduced by their original sponsors. Four bills would raise the charitable standard mileage rate and four would raise the tax-free reimbursement rate. Companion bills H.R. 524 (John Lewis) and S. 243 (Cardin) would do both. A proposed managers’ amendment to the economic stimulus bill (S.Amdt. 572 to S.Amdt. 570 to H.R. 1) that was not offered would have increased both rates temporarily, each to a different level, from the date of enactment through December 31, 2010. (For an overview of the bills introduced in the 110th Congress, see **Appendix B** at the end of this report.)

Four bills and the proposed Senate amendment would raise the charitable standard mileage rate, but to different levels. H.R. 345 (Platts) would raise it to the business rate. Companion bills H.R. 524 (John Lewis) and S. 243 (Cardin) would give the Secretary of the Treasury the authority to set the charitable rate, provided that it not be less than the medical standard mileage rate. S.Amdt. 572 (Baucus) would have temporarily given the Secretary of the Treasury the authority to set the charitable rate, at not less than the medical standard mileage rate, from the enactment of the economic stimulus bill through year-end 2010. H.R. 271 (Latta) would permanently set at 58.5 cents per mile the rate that applies to the delivery of meals to homebound individuals who are elderly, disabled, frail, or at risk.

³⁴ U.S. Congress, Joint Committee on Taxation, *Technical Explanation of H.R. 3768, the “Katrina Emergency Tax Relief Act of 2005” as passed by the House and the Senate on September 21, 2005*, 109th Cong., 1st Sess., JCX-69-05, Sept. 22, 2005, Sec. 303, pp. 21-22; Sec. 304, pp. 23-24.

³⁵ IRS, *Charitable Contributions*, For use in preparing 2008 Returns, Publication 526, p. 5.

Four bills and the Senate amendment would permit volunteers to exclude from taxable income mileage reimbursements from charitable organizations, up to the business standard mileage rate. Companion bills H.R. 524 (John Lewis) and S. 243 (Cardin), H.R. 590 (Petri), and S. 285 (Feingold) would make the change permanently. S.Amdt. 572 (Baucus) would have made this change temporarily, from the enactment of the economic stimulus bill through the end of 2010. The bills that would both raise the charitable standard mileage rate for purposes of the charitable deduction and raise the tax-free charitable mileage reimbursement rate are listed under both of the headings that follow.

Bills to Raise the Charitable Standard Mileage Rate

H.R. 271 (Latta)

Introduced January 7, 2009; referred to the Committee on Ways and Means. H.R. 271 would permanently set at 58.5 cents per mile the standard mileage rate that applies to “... the delivery of meals to homebound individuals who are elderly, disabled, frail or at risk.” (58.5 cents was the value of the business standard mileage rate during the second half of 2008.) The provision would apply to miles driven on or after the date of enactment. Representative Latta introduced an identical bill in the 110th Congress, H.R. 6675.

H.R. 345 (Platts)

Introduced January 8, 2009; referred to the Committee on Ways and Means. H.R. 345 would amend IRC Sec. 170(i) to change the standard mileage rate for charitable purposes from a fixed rate of 14 cents per mile to the standard mileage rate for business purposes, which is revised periodically by the Secretary of the Treasury. The provision would apply to taxable years beginning after December 31, 2008. Representative Platts introduced a similar bill in the 110th Congress, H.R. 2020, with an earlier effective date.

H.R. 524 (John Lewis)

Giving Incentives to Volunteers Everywhere (GIVE) Act of 2009. Introduced January 14, 2009; referred to the Committee on Ways and Means. Companion to S. 243 (Cardin). H.R. 524 would give the Secretary of the Treasury the authority to set the charitable standard mileage rate. However, H.R. 524 stipulates that the charitable rate shall not be less than the medical standard mileage rate. H.R. 524 also would permit reimbursement for charitable mileage to be tax-free up to the business standard mileage rate. The provision would apply to miles driven after the date of enactment. Representative Lewis introduced a similar bill in the 110th Congress, H.R. 6854, with a different short title.

S. 243 (Cardin)

Giving Incentives to Volunteers Everywhere (GIVE) Act of 2009. Introduced January 14, 2009; referred to the Committee on Finance. Companion to H.R. 524 (John Lewis). S. 243 would give the Secretary of the Treasury the authority to set the charitable standard mileage rate, with the stipulation that the charitable rate not be less than the medical standard mileage rate. S. 243 also would permit reimbursement for charitable mileage to be tax-free up to the business standard

mileage rate. The provision would apply to miles traveled after the date of enactment. Senator Cardin introduced a similar bill in the 110th Congress, S. 3532, with a different short title.

S.Amdt. 572 (Baucus)

S.Amdt. 572 was a proposed managers' amendment to be offered (but was not) on February 10, 2009, as an amendment to S.Amdt. 570 to H.R. 1, the American Recovery and Reinvestment Act, popularly referred to as the economic stimulus bill.³⁶

Referring to section numbers for H.R. 1, proposed Sec. 1904 would have temporarily given the Secretary of the Treasury the authority to set the charitable standard mileage rate, provided that the charitable rate not be less than the medical standard mileage rate. Proposed Sec. 1904 would have temporarily raised the tax-free rate for charitable mileage reimbursement to the business standard mileage rate and suspended reporting requirements for those reimbursements. Both provisions would have been in effect from the day after the enactment of the American Recovery and Reinvestment Tax Act of 2009, through December 31, 2010.

Bills to Exclude from Taxable Income Reimbursement for Charitable Mileage up to the Business Standard Mileage Rate

H.R. 524 (John Lewis)

Giving Incentives to Volunteers Everywhere (GIVE) Act of 2009. Introduced January 14, 2009; referred to the Committee on Ways and Means. Companion to S. 243 (Cardin). H.R. 524 would permit reimbursement for charitable mileage to be tax-free up to the business standard mileage rate, through a new Section 139C of the Internal Revenue Code. It would exempt charitable organizations from IRS reporting requirements on those reimbursements. In addition, H.R. 524 would give the Secretary of the Treasury the authority to set the charitable standard mileage rate, provided that the charitable rate not be less than the medical standard mileage rate. The provision would apply to miles traveled after the date of enactment. Representative Lewis introduced a similar bill in the 110th Congress, H.R. 6854, with a different short title.

H.R. 590 (Petri)

Charitable Driving Tax Relief Act of 2009. Introduced January 15, 2009, referred to the Committee on Ways and Means. H.R. 590 is nearly identical to section 1 of S. 285 (Feingold). H.R. 590 would add a new section 139C to the Internal Revenue Code, in the portion of the code that defines exclusions from gross income. Volunteers would not need to include in their gross income reimbursements, up to the IRS's standard business mileage rate, received from nonprofit charitable organizations for the operating expenses of a passenger automobile used to benefit the organizations. Taxpayers could not use this exclusion if they claimed a deduction or credit for the same auto expenses. For these reimbursements, charitable organizations would be exempt from the general requirement to report—to both the IRS and the recipient—compensation payments to an individual of \$600 or more in a taxable year. H.R. 590 includes an additional subsection (not

³⁶ Heather M. Rothman, "Blocked Managers' Amendment Provides Additional Clues to Conference Negotiations," *Daily Tax Report*, No. 26, February 11, 2009, p. GG-2.

included in S. 285) that restricts the application of the reimbursement exclusion to volunteer services, and not to any expenses related to services performed for compensation. The provision would apply to miles traveled after the date of enactment. Representative Petri introduced the same bill as H.R. 1827 in the 110th Congress.

S. 243 (Cardin)

Giving Incentives to Volunteers Everywhere (GIVE) Act of 2009. Introduced January 14, 2009; referred to the Committee on Finance. Companion to H.R. 524 (John Lewis). Section 3 of S. 243 would add a new Sec. 139C to the IRC permitting charitable mileage reimbursement up to the business standard mileage rate to not be included in gross income for tax purposes. The charitable organization would be exempt from IRS reporting requirements on these reimbursements. Section 2 of S. 3532 would amend IRC Sec. 170(i) to give the Secretary of the Treasury the authority to set the charitable standard mileage rate for purposes of the itemized charitable deduction, provided that it not be set less than the medical standard mileage rate. The provision would apply to miles traveled after the date of enactment. Senator Cardin introduced a similar bill in the 110th Congress, S. 3532, with a different short title.

S. 285 (Feingold)

Introduced January 21, 2009; referred to the Committee on Finance. Section 1 of S. 403 would add a new section 139C to the Internal Revenue Code, in the portion of the code that defines exclusions from gross income. Volunteers would not need to include in their gross income reimbursements, up to the IRS's standard business mileage rate, received from nonprofit charitable organizations for the operating expenses of a passenger automobile used to benefit the organizations. The taxpayer could not use this exclusion if he or she claimed a deduction or credit for the same auto expenses. Regarding these mileage reimbursements, charitable organizations would be exempt from the general requirement to report—to both the IRS and the recipient—compensation payments to an individual of \$600 or more in a taxable year. Section 1 of S. 285 is nearly identical to H.R. 590 (Petri). Section 2 of S. 285 would increase the criminal monetary penalty limitation for the underpayment or overpayment of tax due to fraud. The provision would apply to taxable years beginning after the date of enactment. Senator Feingold introduced the same bill as S. 403 in the 110th Congress and S. 315 in the 109th Congress.

S.Amdt. 572 (Baucus)

S.Amdt. 572 was a proposed managers' amendment to be offered (but was not) on February 10, 2009, as an amendment to S.Amdt. 570 to H.R. 1, the American Recovery and Reinvestment Act, popularly referred to as the economic stimulus bill.³⁷

Referring to section numbers for H.R. 1, proposed Sec. 1904 would have temporarily raised the tax-free rate for charitable mileage reimbursement to the business standard mileage rate and suspended reporting requirements for those reimbursements. Proposed Sec. 1904 would have temporarily given the Secretary of the Treasury the authority to set the charitable standard mileage rate, with the stipulation that the charitable rate not be less than the medical standard

³⁷ Heather M. Rothman, "Blocked Managers' Amendment Provides Additional Clues to Conference Negotiations," *Daily Tax Report*, No. 26, February 11, 2009, p. GG-2.

mileage rate. Both provisions would have been in effect from the day after the day after the enactment of the American Recovery and Reinvestment Tax Act of 2009, through December 31, 2010.

Appendix A. Standard Mileage Rates, 1980 - 2010

Table A-1. Optional Standard Mileage Rates for Business, Medical and Moving, and Charitable Purposes, 1980 - 2010

(cents per mile)

Year	Business	Medical and Moving	Charitable
1980	20 for the first 15,000 mi. 11 above 15,000 mi.	9	9
1981	20, 11	9	9
1982	20, 11	9	9
1983	20.5, 11	9	9
1984	20.5, 11	9	9
1985	21, 11	9	12
1986	21, 11	9	12
1987	22.5, 11	9	12
1988	24, 11	9	12
1989	25.5, 11	9	12
1990	26	9	12
1991	27.5	9	12
1992	28	9	12
1993	28	9	12
1994	29	9	12
1995	30	9	12
1996	31	10	12
1997	31.5	10	12
1998	32.5	10	14
1999	32.5 before April 1 31 after March 31	10	14
2000	32.5	10	14
2001	34.5	12	14
2002	36.5	13	14
2003	36	12	14
2004	37.5	14	14
2005	40.5 before September 1 48.5 after August 31	15 22	14
2006	44.5	18	14
2007	48.5	20	14
2008	50.5 before July 1 58.5 after June 30	19 before July 1 27 after June 30	14

Year	Business	Medical and Moving	Charitable
2009	55	24	14
2010	50	16.5	14

Sources: Internal Revenue Service, annual revenue procedures announcing the standard mileage rates. Jennifer Teefy of the CRS Knowledge Services Group helped assemble this information.

Note: Noted in **bold** are the year and the level at which the charitable mileage rates set by legislation first took effect.

Appendix B. Overview of Bills in the 110th Congress

This section divides the 26 bills introduced in the 110th Congress into three groups. Bills in the first group would have raised the charitable standard mileage rate, each to a different level. The second group of bills would have permitted volunteers to exclude from their taxable income mileage reimbursements up to the business standard mileage rate. (Five bills are included in both the first and second groups.) The third group of bills would have increased the tax benefits only for charitable driving related to federally declared disasters, for a limited time following the disaster. One of these disaster-restricted proposals was enacted in October 2008, in conjunction with the Emergency Economic Stabilization Act of 2008 (the financial rescue bill), as part of P.L. 110-343. This appendix provides an overview discussion of the bills in each group.³⁸

Altogether, 19 bills introduced in the 110th Congress would have increased the standard mileage rate or the tax-free reimbursement rate for charitable driving. (Five of the bills did both.) Another seven bills or amendments would have restricted the enhanced tax benefits to charitable driving related to federally declared disasters, especially those that occurred in the Midwest in 2008.

Bills to Raise the Charitable Standard Mileage Rate

Sixteen bills introduced in the 110th Congress would have raised the standard mileage rate used to calculate itemized deductions for charitable contributions. Each bill took a different approach. S. 1220 (Schumer) proposed a permanent increase in the charitable mileage rate to 30 cents per mile. Companion bills S. 3032 (Schumer) and H.R. 6283 (John Lewis) would have permanently increased the charitable rate to 40 cents per mile. H.R. 6368 (Brady) would have made the charitable rate equal to the medical and moving rate determined by the IRS. Companion bills S. 3429 (Schumer) and H.R. 6835 (Hall) would have set the charitable rate at 70% of the business standard mileage rate (as it was under KETRA, for post-Katrina relief work). H.R. 2020 (Platts) and S. 3421 (Casey) would have raised the charitable mileage rate to the standard business mileage rate, as periodically determined by the IRS. H.R. 606 (Hayes) would have raised the charitable rate to the standard business mileage rate only for emergency medical responders and firefighters serving qualified volunteer fire departments. H.R. 6675 (Latta) would have permanently set at 58.5 cents per mile the standard mileage rate that applies to the delivery of meals to homebound individuals who are elderly, disabled, frail, or at risk (58.5 cents was the business standard mileage rate in effect for the second half of 2008). H.R. 2415 (Paul) would have temporarily raised the charitable rate to the business rate when the price of gasoline is above \$3.00 per gallon.

S. 3246 (Cardin) would have given the Secretary of the Treasury the authority to set the charitable rate. Both H.R. 6854 (John Lewis) and S. 3532 (Cardin) would have given the Secretary of the Treasury the authority to set the charitable rate, but stipulated that it could not be set lower than the medical standard mileage rate. H.R. 7006 (Rangel), approved by the House on September 24, 2008, would have given the Secretary of the Treasury the authority to set the charitable mileage rate through December 31, 2011, again subject to the proviso that it not be set lower than the medical standard mileage rate at the time. With the medical standard mileage rate then at 27 cents

³⁸ For a brief summary of each bill, see Appendix B of the 2008 CRS report on this topic, CRS Report RL34681, *Charitable Standard Mileage Rate: Considerations for Congress*, by Nonna A. Noto.

per mile, the JCT estimated that this provision would have cost \$441 million over the four fiscal years FY2009-FY2012 combined.³⁹

Bills to Make Reimbursement for Charitable Mileage Tax-Free up to the Business Standard Mileage Rate

In the 109th Congress, Section 301 of S. 6 (Santorum)⁴⁰ and Section 1 of S. 315 (Feingold) would have allowed charitable entities to reimburse volunteers for automobile expenses tax-free, up to the optional standard mileage rate permitted for business use. This proposal was reintroduced by several bills in the 110th Congress. H.R. 606 (Hayes) would have restricted this tax benefit to volunteer emergency medical responders and firefighters. H.R. 1827 (Petri), H.R. 6854 (John Lewis), H.R. 6835 (Hall), S. 403 (Feingold), the Senate-approved version of H.R. 2419, S. 3429 (Schumer), and S. 3532 (Cardin) would have made this tax benefit available to all charitable volunteers.

These bills would have added a new section (139B or 139C) to the Internal Revenue Code that would exclude from a volunteer's gross income mileage reimbursements from a charitable organization, up to the business standard mileage rate at the time (not just the charitable standard mileage rate of 14 cents). H.R. 1827 (Petri), H.R. 6854 (John Lewis), S. 403 (Feingold), S. 3429 (Schumer), and S. 3532 (Cardin) would have exempted the charitable organizations from the reporting requirements on cash reimbursements, but H.R. 606 (Hayes) and H.R. 2419 (Senate) would not.

In January 2008, when the business standard mileage rate was 50.5 cents per mile, the Joint Committee on Taxation estimated that permitting volunteers to be reimbursed tax-free up to the business standard mileage rate, rather than the 14-cent charitable mileage rate, would cost an additional \$2 million in lost tax revenue over the five-year period FY2008-FY2012 and \$4 million over the 10-year period FY2008-FY2017.⁴¹

Disaster-Restricted Bills

Seven bills would have restricted the enhanced tax benefits to volunteer driving related to a federally declared disaster, for a limited period of time following the disaster. All but one of the bills in this group provided for both an increase in the applicable standard mileage rate to 70% of the business rate for purposes of the charitable deduction and an exclusion of mileage reimbursements up to the full business mileage rate. The bills borrowed language from the Katrina Emergency Tax Relief Act of 2005 (KETRA, P.L. 109-73). This includes the Heartland Disaster Tax Relief Act of 2008, enacted on October 3, 2008, in conjunction with the Emergency Economic Stabilization Act of 2008 (the financial rescue bill) as part of P.L. 110-343. This group of bills also includes H.R. 6049 (as passed by the Senate on September 23, 2008), S.Amdt. 5035

³⁹ U.S. Congress, Joint Committee on Taxation, *Estimated Revenue Effects of H.R. 7006, the "Disaster Tax Relief Act of 2008,"* 110th Cong., 2nd sess., JCX-74-08, September 24, 2008, p. 1.

⁴⁰ In the 109th Congress, S. 6 (Santorum) was titled the Marriage, Opportunity, Relief, and Empowerment Act of 2005 or the "MORE Act." Title III was named the CARE Act of 2005.

⁴¹ U.S. Congress, Joint Committee on Taxation, *Estimated Budget Effects of Title XII of H.R. 2419, the "Heartland, Habitat, Harvest and Horticulture Act of 2007," as passed by the Senate,* 110th Cong., 2nd sess., JCX-3-08, January 14, 2008, p. 7.

(Grassley) to H.R. 3221, companion bills H.R. 6587 (Loebsack) and S. 3322 (Grassley), and S. 3335 (Baucus). H.R. 6958 (Brady) would have increased only the tax-free reimbursement rate and not the deductible mileage rate.

Recall that Sec. 303 of KETRA permitted the standard mileage rate for charitable use of personal vehicles in the provision of relief related to Hurricane Katrina, from August 25, 2005, through December 31, 2006, to be equal to 70% of the standard business mileage rate in effect at the time of such use (rounded to the next highest cent), instead of the 14 cents per mile standard charitable rate set forth in IRC Sec. 170(i).

In addition, Sec. 304 of KETRA created a temporary exclusion from gross income for reimbursements paid by a charitable organization for the individual's use of his or her passenger automobile "... for the benefit of such organization in connection with providing relief relating to Hurricane Katrina during the period beginning on August 25, 2005, and ending on December 31, 2006." Furthermore, reimbursements could be excluded at the full standard business mileage rate in effect at the time of such use. This exclusion for mileage reimbursements was available only to volunteers and not to people serving for compensation. Individuals who claimed a deduction for their charitable mileage expenses could not also exclude the reimbursement of those expenses from their reported income.

Six bills in this group would have offered these same two tax benefits for charitable driving but imposed different restrictions on the place and time of eligibility. Under P.L. 110-343, as well as H.R. 6049 (Senate), S.Amdt. 5035, and companion bills H.R. 6587/S. 3322, the tax benefits were restricted to the presidentially declared Midwestern disaster areas of 2008. Under P.L. 110-343, as well as H.R. 6049 (Senate) and H.R. 6587/S. 3322, the tax benefits were available for charitable driving "... beginning on the applicable disaster date and ending on December 31, 2008." Under S.Amdt. 5035, they would have been available "... beginning on the applicable disaster date and ending on December 31, 2009."

Under S. 3335 (Baucus) the tax benefits would have been available to all federally declared disaster areas, for disasters occurring in 2008 or 2009. The tax benefits would have been available for charitable driving for 18 months following the disaster.

H.R. 6958 (Brady) would have permitted mileage reimbursements for volunteers in the Hurricane Ike recovery area, which included parts of Louisiana and Texas, to be tax-free up to the standard business mileage rate, for the period beginning on September 12, 2008, and ending on December 31, 2008.

The Joint Committee on Taxation estimated the revenue loss from making KETRA's enhanced tax benefits for volunteer driving available to the Midwestern disaster areas, through December 31, 2008. On September 23, 2008, when the business standard mileage rate was 58.5 cents per mile, the JCT estimated the cost of raising the charitable mileage rate to 70% of the business rate at \$9 million, all in FY2009. The estimated cost of permitting mileage reimbursements to volunteers to be tax-free up to the full business mileage rate (rather than 14 cents) was \$1 million, all in FY2009.⁴²

⁴² U.S. Congress, Joint Committee on Taxation, *Estimated Budget Effects of the "Tax Extenders and Alternative Minimum Tax Relief Act of 2008" scheduled for consideration on the Senate floor on September 23, 2008*, 110th Cong., 2nd sess., JCX-69-08, Sept. 23, 2008, p.7. The same estimate appears in *Estimated Budget Effects of the Tax Provisions* (continued...)

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(...continued)

Contained in an Amendment in the Nature of a Substitute H.R. 1424 scheduled for consideration on the Senate floor on October 1, 2008, 110th Cong., 2nd sess., JCX-78-08, p. 12.