

# Volunteer Driver Reimbursement

Many volunteer driver transportation programs do not reimburse volunteer drivers for their time or for the use of their vehicles. However, when undertaking a program, a question is often raised as to whether a reimbursement incentive should be provided to volunteer drivers.

People volunteer mainly for altruistic reasons. We want to help others. We want to give back to the community. We want to feel that we are doing something meaningful with our lives. Sometimes a volunteer pool can be provided through a community service organization as part of its community service commitment. But recruitment of volunteers may be enhanced when incentives of some sort are offered. Such incentives can take many forms and generally relate to expenses incurred by volunteers.

## **Reimbursement Incentive**

Will a reimbursement incentive be paid to volunteer drivers? If so, will it be paid on a per trip basis or will volunteers be reimbursed for their mileage? How much will the reimbursement be? These are questions that often are addressed in the planning stage of the volunteer program, however, many programs wait until they begin implementation activities, including volunteer recruitment, to address the issue of reimbursement.

If volunteer drivers will be using program vehicles and not incurring out-of-pocket expenses for the use of their own car, incentives can take many forms. For example, perhaps a discount card is arranged with local theaters, stores, or restaurants. However, volunteer driver programs that depend on volunteers to drive passengers in their personal vehicles frequently use reimbursement of vehicle expenses as a recruitment strategy as well as a retention incentive. In making a decision about reimbursement, the determination quite often focuses on two questions: how much will be the reimbursement and how will the reimbursements be paid?

## **Reimbursement Rates**

The standard mileage rate allowed by the IRS is often used for reimbursing volunteer driving. The IRS issues a standard rate of .14 cents per mile driven in service of charitable organizations. This per mile rate allowed by the IRS has been in effect at least since 2011\*. The IRS also identifies an optional standard mileage rate for business use of vehicles. The IRS calculates this rate each year as economic circumstances change. The standard mileage rate for transportation travel expenses of all miles for business use was 57.5 cents per mile in 2020. Volunteers who receive mileage reimbursements from programs that adhere to these guidelines are not required to report their reimbursements in their tax filings.

However, if the reimbursement is in excess of the amount allowed by IRS optional standard mileage rates, the excess amount will then be treated as income. Some volunteers may prefer the option of deducting the expense of their volunteer travel in providing rides (and even to and from the place where they provide volunteer services). Their volunteer time is not a deductible item.

The rate of reimbursement does not need to be the maximum allowed by IRS optional standard mileage rates but should be sufficient to at least cover the direct gasoline expense of the travel. For volunteers who are providing assistance for travel over long distances, reimbursements will likely be significant. If distances are generally shorter, but mixed in length, it may be possible to establish a per trip reimbursement rate. This approach will work if the average of the total paid to individual volunteers remains below IRS optional standard mileage rates. If the paid incentive is anticipated to be quite small, it may be better to plan for a combined incentive offering of reimbursement plus other benefits, or an alternative that may include a non-cash incentive.

### **Distance Calculation**

The calculation of distance traveled by a volunteer tends to vary by program. In some programs, reimbursements are provided for the ride during which a passenger is being transported. In others, reimbursement may include travel to and from the driver's residence. In the event the volunteer driver program's start-up budget is robust, a program may calculate reimbursement at a pre-determined rate in the first year of operation. Some experienced programs suggest that it can be helpful to provide rides for a year or so without reimbursing drivers in order to calculate destinations and miles traveled during a specific period of time to better determine the funds required for reimbursement. Regardless of how much and when reimbursements are made available, many volunteers prefer not to accept a reimbursement, or if they accept a reimbursement they donate it back to the program.

It should be noted that in some communities where distances are very short, programs sometimes pay a per trip reimbursement rather than a per mile reimbursement. If distances are so short as to make reimbursement of vehicle expense impractical, it may be advisable to switch to a non-reimbursement incentive approach or combine the reimbursement incentive with other incentive approaches. Direct market research can be used to determine the best approach as well as to forecast reimbursement expenses.

### **Summary**

It is generally allowable for an organization, faith based, nonprofit, government, or for-profit, to pay mileage reimbursements to volunteers and paid staff if:

1. individuals are not provided with a company or organization vehicle
2. individuals are not paid a car allowance or otherwise compensated for the use of their private vehicle
3. the rate of mileage reimbursement does not exceed the published IRS standard rate then in effect
4. the "employing" organization keeps adequate and timely records sufficient to qualify its payment of mileage reimbursement as an IRS Accountable Plan

Over the years, volunteer driver programs across the country have been unsuccessful in receiving clarification from the IRS regarding appropriate reimbursement rates for volunteer drivers. However, in the absence of IRS clarification, volunteer driver programs have tended to reimburse volunteer drivers from the .14 charitable rate to the current business use rate. Both reimbursements can be calculated as nontaxable income.

*Note: A recent request was sent to the IRS to ask for a written clarification of this policy.*