



Charitable Standard Mileage Rate: Considerations for Congress

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Summary

In response to a sharp rise in gasoline prices, on June 23, 2008, the Internal Revenue Service (IRS) announced an increase in the optional standard mileage rates for the second half of 2008, for the two 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 to 58.5 cents per mile, and the standard rate for medical or moving purposes from 19 cents to 27 cents per mile, effective July 1, 2008, through December 31, 2008. In contrast, the standard mileage rate for charitable activities is set by statute and has remained at 14 cents per mile since 1998.

The charitable standard mileage rate is used to determine the size of the itemized deduction that a taxpayer may claim for unreimbursed automobile expenses incurred in conjunction with 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 charity.

In evaluating whether the charitable standard mileage rate should now be higher than 14 cents a mile, there are three basic questions to consider. First, should the charitable standard mileage rate continue to be set by statute, or should authority to set the charitable rate be returned to 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/moving rate? If higher, specifically what additional costs should be included? Should the charitable rate be as high as the business rate? If so, on what reasoning is this based? Third, should reimbursed mileage be treated more favorably than unreimbursed driving expenses?

Sixteen bills introduced in the 110th Congress would raise the charitable mileage rate, to different levels. A second group of bills would permit volunteers to exclude from taxable income mileage reimbursements up to the business standard mileage rate. A third group of bills would increase the tax benefits only for charitable driving related to federally declared disasters, with tax-free reimbursement up to the business rate and deductions at 70% of the business rate. 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 (H.R. 1424), grants these enhanced tax benefits to the federally declared Midwestern disaster areas, from the date of the disaster through December 31, 2008.

Calculations presented in the report show that, under current tax law, volunteers who are reimbursed for their driving expenses receive more favorable treatment than those who deduct their unreimbursed mileage, even though the provisions are valued at the same number of cents per mile. Setting the tax-free reimbursement amount higher than the deductible amount would widen the existing disparity in after-tax benefits. The proposals do not explain or justify increasing the preferential tax treatment of charitable mileage reimbursement relative to the charitable mileage deduction. This report will be updated for the 111th Congress, as events warrant.

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Overview

In response to a sharp rise in gasoline prices, on June 23, 2008, the Internal Revenue Service (IRS) announced an increase in the optional standard mileage rates for the second half of 2008, for the two 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 to 58.5 cents per mile, and the standard rate for medical or moving purposes from 19 cents to 27 cents per mile, effective July 1, 2008, through December 31, 2008.¹ In contrast, the standard mileage rate for charitable activities is set by statute, in Internal Revenue Code Section 170(i). The charitable mileage rate has remained at 14 cents per mile since 1998. **Table 1** shows the three standard mileage rates in effect for 2003 through 2008.

Table 1. Optional Standard Mileage Rates for Charitable, Medical/Moving, and Business Purposes, 2003-2008

(cents per mile)

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

Sources: The charitable mileage rate of 14 cents per mile is set in Sec. 170(i) of the Internal Revenue Code. For business and medical/moving rates: 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. 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.

Volunteers who claim a tax deduction for their charitable driving expenses have reportedly been complaining to their representatives in Congress that the charitable mileage rate did not increase along with the business and medical/moving rates. Several bills that would raise the charitable standard mileage rate and/or the tax-free charitable mileage reimbursement rate were introduced in the 110th Congress.

To encourage support for the charitable sector of the economy, the tax code permits taxpayers to claim contributions to qualified charitable organizations as an itemized deduction on their income tax return. The IRS permits volunteers to deduct certain unreimbursed “out-of-pocket” expenses they incur in providing donated services. That includes the gasoline and oil expenses related to the use of a personal passenger automobile in performing charitable work. 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 charitable miles for the year by the optional charitable standard mileage rate.

¹ Internal Revenue Service, News Release IR-2008-82, June 23, 2008.

Under certain circumstances, the tax code permits taxpayers who are reimbursed for expenses that would be deductible to not include reimbursements up to a certain dollar amount in 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.

Prior to 1985, the charitable standard mileage rate was set by the IRS, usually at the same level as the medical and moving standard mileage rate. The rate reflected only the “variable costs” of driving an automobile. These are the costs that are expected to vary in proportion to the number of miles driven. Variable costs include expenditures for gasoline, oil, tires, and maintenance. This rate was substantially lower than the business standard mileage rate, which, along with variable costs, also incorporates “fixed costs” associated with owning and maintaining an automobile, including depreciation, license plate and car registration fees, and insurance.

The Deficit Reduction Act of 1984 (P.L. 98-369) added Section 170(i) to the Internal Revenue Code (IRC), which set the charitable mileage rate at 12 cents per mile. At the time, the medical/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. For comparison, in 1997 the medical/moving rate was 10 cents per mile and the business rate was 31.5 cents per mile. The charitable standard mileage rate remains at 14 cents today, 10 years later. (**Table A-1**, at the end of this report, presents the three standard mileage rates from 1980 through 2008.)

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 relief efforts. Alternatively, Katrina volunteers could exclude from their taxable income mileage reimbursements up to the standard business mileage rate. The Heartland Disaster Relief Act of 2008, enacted October 3, 2008,² made these same enhanced tax benefits available through December 31, 2008, for charitable driving related to the Midwestern disasters of the spring of 2008.

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 would not be 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.

Instead, the IRS is responsible for monitoring and adjusting the standard mileage rates for business purposes and for medical or moving purposes. The IRS determines the rates based on an annual study conducted by a private company, currently Runzheimer International, of the fixed and variable costs of operating a car.⁴ The IRS typically announces in November the rates to take

² 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.

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

⁴ Diane Freda, “Sen. Coleman, NTEU Urging IRS to Boost Mileage Reimbursement Rate,” *Daily Tax Report*, No. 115, (continued...)

effect on January 1 of the coming year. On occasion, the rates are adjusted mid-year, in response to large changes in the price of gasoline, as they were in July 2008. In 2005, the business mileage rate was 40.5 cents through August. In response to higher gasoline prices following Hurricane Katrina on August 29 and Hurricane Rita on September 24, the business rate was set at 48.5 cents for the last four months of 2005. It was then lowered halfway back, to 44.5 cents, for all of 2006. (Refer back to **Table 1**.)

The legislative history of IRC Sec. 170(i)⁵ suggests that Congress felt that the charitable standard mileage rate should be slightly higher than the medical/moving rate, but not as high as the business rate. However, no formal criteria or guidelines were 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, the IRS would again set the charitable rate equal to the medical/moving rate. Hence, if Congress wants the charitable rate to be set higher than the medical/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 existing 14 cents per mile, there are three basic sets of questions to consider:

- Should the charitable standard mileage rate continue to be set by statute? Or, should the authority to set the charitable rate be returned to 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/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 and/or mileage deductions?

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

Sixteen bills introduced in the 110th Congress would have raised the charitable standard mileage rate. Each 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 permanently increase the charitable rate to 40 cents per mile. H.R. 6368 (Brady) would make the charitable rate equal to the medical/moving rate determined by the IRS. Companion bills S. 3429 (Schumer) and H.R. 6835 (Hall) would set the charitable rate at 70% of the business standard mileage rate. H.R. 2020 (Platts) and S. 3421 (Casey) would raise the

(...continued)

June 16, 2008, p. G-1.

⁵ See the section on “Legislative History” later in this report.

charitable rate to the standard mileage rate for business purposes that is revised periodically by the IRS. H.R. 606 (Hayes) would raise the charitable rate to the business rate only for emergency medical responders and firefighters serving qualified volunteer fire departments. H.R. 6675 (Latta) 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. H.R. 2415 (Paul) would temporarily raise the charitable rate to the business rate when the price of gasoline is above \$3.00 per gallon.

S. 3246 (Cardin) would give the Secretary of the Treasury the authority to set the charitable rate. H.R. 6854 (John Lewis) and S. 3532 (Cardin) would give the Secretary of the Treasury the authority to set the charitable rate, with the condition that it not be set lower than the medical standard mileage rate. H.R. 7006 (Rangel), passed by the House on September 24, 2008, would give the Secretary of the Treasury the authority to set the charitable mileage rate through December 31, 2011, also subject to the proviso that it not be set lower than the medical standard mileage rate at the time.

A second group of bills would allow volunteers to exclude from their taxable income mileage reimbursement from charitable entities, up to the standard business mileage rate. H.R. 606 (Hayes) would restrict this tax benefit to volunteer emergency medical responders and firefighters. H.R. 1827 (Petri), H.R. 6835 (Hall), S. 403 (Feingold), the Senate-approved version of H.R. 2419, S. 3429 (Schumer), and S. 3532 (Cardin) would make this tax benefit available to all charitable volunteers.

A third group of bills would reinstate the special rules that were enacted for Hurricane Katrina volunteers. These bills would increase the tax benefits only for charitable driving related to federally declared disasters, for a limited time following the disaster. P.L. 110-343, enacted on October 3, 2008, provides these enhanced tax benefits to the presidentially declared Midwestern disaster areas of 2008, through December 31, 2008. The same provisions were included in H.R. 6049, as amended and passed by the Senate on September 23, 2008, S.Amdt. 5035 (Grassley), and companion bills H.R. 6587 (Loebsack)/S. 3322 (Grassley). H.R. 6958 (Brady) would provide these tax benefits to the Hurricane Ike recovery area. S. 3335 (Baucus) would make these tax benefits available for all federally declared disasters in 2008 and 2009.

This report calculates 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. This highlights the importance of having Congress or the Internal Revenue Service justify the differences among the standard mileage rates for different purposes.

The tax saving from a given deduction amount per mile is higher, the higher the taxpayer's marginal tax rate. This raises the question of whether the tax subsidy should be given in the form of a tax credit per mile, which would have equal value to all taxpayers, rather than a deduction, whose value increases with the taxpayer's marginal tax rate.

Oppositely, the after-tax value of a reimbursement in excess of the charitable standard mileage rate falls, the higher the taxpayer's marginal tax rate. This also reflects the system of graduated income tax rates, but in reverse. Nevertheless, at every marginal tax rate, taxpayers receive a greater monetary benefit from reimbursement, even if it is taxed, than from a deduction of an equal amount per mile.

These calculations show that, under current tax law, volunteers who are reimbursed for their driving expenses receive more favorable treatment than those who deduct their unreimbursed mileage. Nonetheless, a group of bills introduced in the 110th Congress (the second group) 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.

The group of bills that would increase the tax benefits only for charitable driving linked to a federally declared disaster (the third group) would permit tax-free reimbursement up to the full business standard mileage rate but only permit mileage deductions at 70% of the business mileage rate. The calculations show that tax-free reimbursement is worth more than a deduction, even if they are valued at the same dollar amount per mile. Setting the tax-free reimbursement amount higher than the deductible amount would widen the existing disparity in after-tax benefits.

The proposals do not explain or justify increasing the preferential tax treatment of charitable mileage reimbursement relative to the charitable mileage deduction.

Roles of the Optional Standard Mileage Rate

The optional standard mileage rates are used to calculate the tax-deductible costs of operating a personal passenger automobile⁶ 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.

Itemized Deduction for Unreimbursed Charitable Mileage Expenses

Taxpayers can claim contributions to qualified charitable organizations⁷ as an itemized deduction on their income tax return.⁸ Charitable volunteers are permitted to deduct certain unreimbursed

⁶ The term "passenger automobile" in this context encompasses vans, pickups, and panel trucks. Internal Revenue Service, Rev. Proc. 2007-70, Dec. 10, 2007, Section 4.01.

⁷ These nonprofit organizations are defined in the Internal Revenue Code Sec. 170(c).

“out-of-pocket” expenses that 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.

A taxpayer has the choice of keeping track of actual deductible automobile expenses or using the “optional standard mileage rate.” Regardless of the computation method used, the taxpayer 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.⁹

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.¹⁰ There is no ready way for the IRS to verify the deductions for charitable mileage claimed by individuals.

Tax-Free Mileage Reimbursements by Charitable Organizations

When a volunteer is reimbursed by a charity for mileage expenses, the volunteer must recognize taxable income to the extent that the reimbursement exceeds his or her deductible travel costs.¹¹

(...continued)

⁸ Currently, no income tax deduction for charitable contributions is available to taxpayers who do not itemize deductions, but use the standard deduction instead.

⁹ 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 2007 Returns, Publication 17, p. 157 for car expense items and p. 162 for recordkeeping requirements. The same information can be found in: IRS, *Charitable Contributions*, For use in preparing 2007 Returns, Publication 526, p. 5 for car expense items and p. 19 for recordkeeping requirements. Available at <http://www.irs.gov>.

¹⁰ 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. 21, repeated on p. 23.

¹¹ 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.

For a volunteer using the optional charitable standard mileage rate, deductible travel costs are 14 cents per mile under current law. The 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.¹²

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) with the IRS and with the person who received the payment. These are 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.

Why the Charitable and Medical/Moving Standard Mileage Rates Are Lower than the Business Rate

The standard mileage rates for charitable and for medical/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. 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 depreciation¹³, license and registration fees, and insurance.¹⁴

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 job¹⁵ may be the primary reason for owning a vehicle.

¹² 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.

¹³ This is a measure of tax, not economic, depreciation.

¹⁴ In addition, interest relating to the purchase of an automobile as well as state and local personal property taxes may be deducted separately, to the extent allowable under IRC Sec. 163 (itemized deductions for interest) or Sec. 164 (itemized deductions for taxes), respectively. Internal Revenue Service, Internal Revenue Bulletin 2007-50, Rev. Proc. 2007-70, December 10, 2007, Sec. 5.04 under business standard mileage rate, repeated in Sec. 7.04 under charitable and medical and moving standard mileage rates.

¹⁵ Income tax deductions are not permitted for the expenses of commuting to and from a job.

Table 2. Variable and Fixed Automobile Costs Incorporated in the IRS's Medical/Moving and Business Standard Mileage Rates

Cost Item	Value July - December 2008 (in cents per mile)
Deductible Variable Costs (included in both the medical/moving and business standard mileage rates)	
gasoline (and the federal, state, and local taxes thereon)	NA
oil	NA
maintenance	NA
tires and tire repair	NA
Subtotal: Variable Costs = Medical and Moving Standard Mileage Rate	27
Deductible Fixed Costs (additional costs included only in the business standard mileage rate)	
depreciation or lease payments	21
license plate and car registration fees	10.5
insurance (personal liability and property damage)	31.5
Subtotal: Fixed Costs	31.5
Total: Variable + Fixed Costs = Business Standard Mileage Rate	58.5

Sources: Calculations by CRS, explained in the note below. Based on the standard mileage rates for July 1 - December 31, 2008, of 27 cents per mile for medical and moving and 58.5 cents per mile for business from U.S. Department of the Treasury, Internal Revenue Service (IRS), News Release IR-2008-82, June 23, 2008. The standard business mileage rate for 2008 was originally set at 50.5 cents per mile. Of that, the amount the IRS assigned to depreciation was 21 cents per mile. IRS, Rev. Proc. 2007-70, Internal Revenue Bulletin 2007-50, Dec. 10, 2007, Section 4.04.

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. The medical and moving standard mileage rate of 27 cents per mile was defined as the subtotal of the deductible variable costs. The business standard mileage rate of 58.5 cents per mile was defined as the total of deductible variable plus fixed costs. The subtotal of fixed costs was then calculated as the difference between the business and the medical/moving standard mileage rates, 58.5 - 27, or 31.5 cents per mile. Finally, the IRS depreciation figure of 21 cents per mile was subtracted from total fixed costs of 31.5 cents, leaving 10.5 cents per mile as the cost assigned to license plate and car registration fees plus car insurance, combined.

In relation to the Katrina Emergency Tax Relief Act of 2005, the Joint Committee on Taxation 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.¹⁶

But the JCT did not explain reasons why, or based on what cost factors, the charitable rate had been set higher than the medical/moving rate in the past and should be 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/moving rate set by the IRS.¹⁷

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/moving rate.¹⁸ 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/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 maintenance and tire expenses are not deductible, along with depreciation, car registration fees, and insurance.¹⁹

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 2007 Returns, Publication 17, p. 157. The same information can be found in: IRS, *Charitable Contributions*, For use in preparing 2007 Returns, Publication 526, p. 5. Available at <http://www.irs.gov> under More Forms and Publications. See footnote 9, earlier in this report.

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 2008. According to Sec. 7.03 of

¹⁶ 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.

¹⁷ 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.

¹⁸ U.S. Department of the Treasury, Internal Revenue Service, *Your Federal Income Tax*, For Individuals, For use in preparing 2007 Returns, Publication 17, p. 157. The same information can be found in: IRS, *Charitable Contributions*, For use in preparing 2007 Returns, Publication 526, p. 5.

¹⁹ See footnote 9 for the IRS's instructions to taxpayers.

IRS Rev. Proc. 2007-70, the costs that are deductible as a charitable, medical, or moving expense are “ ... all variable expenses (including gasoline and oil).... ” Elsewhere in Rev. Proc. 2007-70, Sec. 4.04 and Sec. 8.02(3) both list tires and routine maintenance and repairs as variable costs.²⁰

As 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 current 27 cent medical/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 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/moving rate, but not as high as the business rate. As shown in the bottom part of **Table 2**, CRS calculated the subtotal for fixed costs as 31.5 cents per mile. Of that, the IRS attributed 21 cents per mile to depreciation. That leaves 10.5 cents per mile covering the combined categories of license plate and car registration fees, and car insurance.

These numbers can be used to suggest the following two examples of guidelines for setting a middle-ground charitable standard mileage 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 37.5 cents per mile (equal to the 27-cent medical/moving rate plus the 10.5 cents for fixed costs other than depreciation). If Congress instructed the IRS to include depreciation in addition to variable costs, the charitable rate would currently be 48 cents per mile (equal to the 27-cent medical/moving rate plus the 21-cent depreciation allowance). 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.

How Much is the Tax Subsidy Worth?

Mileage Deduction

The IRS does not have 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 2006 that claimed an itemized deduction for charitable contributions, by adjusted gross income (AGI) class. The number of returns claiming a mileage deduction is likely to be far smaller than the total number claiming a deduction for charitable contributions of any kind.

²⁰ Internal Revenue Service, Internal Revenue Bulletin 2007-50, Rev. Proc. 2007-70, December 10, 2007.

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, *2007 Instructions for Schedules A & B (Form 1040)*, p. A-8.

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 the right-hand column of **Table 4**, the likelihood of itemizing charitable contributions is higher, the higher the income class.

Only 12% of taxpayers with adjusted gross income (AGI) below \$50,000 itemized charitable deductions for 2006. Still, this lowest of the AGI categories reported had the largest absolute number of returns claiming a charitable deduction—11.5 million returns. They accounted for 28% of the 41.4 million total number of returns claiming a charitable deduction for 2006.

About half (48%) of returns in the \$50,000-\$75,000 AGI class and two-thirds (66%) 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; 82% of tax returns with AGI from \$100,000 to \$200,000 and 90% with AGI above \$200,000 itemized charitable deductions for 2006. But high-income taxpayers are probably more likely to make their charitable donations by check or transfer of stock than to do volunteer driving.

Table 4. Tax Returns with Itemized Charitable Deduction, by Adjusted Gross Income (AGI) Class, Tax Year 2006

(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	139,230,752	41,366,929	30
Under \$50,000	93,223,652	11,501,687	12
\$50,000 - \$75,000	18,712,454	8,981,556	48
\$75,000 - 100,000	11,118,868	7,326,766	66
\$100,000 - \$200,000	12,099,481	9,896,760	82
\$200,000 or more	4,076,297	3,660,160	90

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 2006, U.S. totals*. Available online at <http://www.irs.gov>, under TaxStats. Percentages in column 4 were calculated by CRS. 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 2006, 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.

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 graduated tax rates) that applies to the taxpayer's taxable income. It is the marginal tax rate that determines the income tax savings when a deduction is 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 2008, for single (column 1) and joint returns (column 2). 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.

All itemizers who choose to use the optional charitable standard mileage rate to calculate their automobile expenses for volunteer work are permitted the same deduction of 14 cents per mile. However, the amount of federal income tax that is actually saved per mile deducted varies according to the taxpayer's marginal tax rate. 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. (Taxpayers who do not itemize receive no tax saving.) In comparison, volunteers who are reimbursed for charitable driving expenses may receive (up to) 14 cents per mile tax-free, regardless of their marginal tax rate.

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 tax-free reimbursement are better off than those who deduct their mileage. The relative advantage of reimbursement is even greater for taxpayers in lower tax brackets. In the two highest tax rate brackets of 33 percent and 35 percent, tax-free reimbursement is worth roughly three times as much as a deduction. But at the lowest tax rate of 10%, tax-free reimbursement is worth ten times as much as a deduction.

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

(by Marginal Tax Rate and Taxable Income Bracket for Tax Year 2008)

(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 - \$8,025	\$0 - \$16,050	.10	\$.014	10.0
8,025 - 32,550	16,050 - 65,100	.15	.021	6.7
32,550 - 78,850	65,100 - 131,450	.25	.035	4.0
78,850 - 164,450	131,450 - 200,300	.28	.039	3.6
164,450 - 357,700	200,300 - 357,700	.33	.046	3.0
357,700	357,700	.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 2008), Rev. Proc. 2007-6, Oct. 18, 2007; also published in Internal Revenue Bulletin 2007-45, Nov. 5, 2007. 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 (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 in 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 rates proposed in bills introduced in the 110th Congress. One proposal is to make the charitable rate equal to the medical/moving rate, set by the

²² On any given tax return, taxable income is lower than AGI by the sum of personal exemptions claimed plus either the standard deduction for the filing type or the sum of the itemized deductions.

IRS at 27 cents per mile for the last half of 2008. Another proposal is to raise the charitable rate up to the standard business mileage rate, set by the IRS at 58.5 cents per mile for the second half of 2008. In between those two is the proposal restricted to volunteer driving in federally declared disaster areas—to set the charitable rate at 70% of the business rate. For the second half of 2008, that would equal 41 cents per mile (.70 time \$0.585, rounded to the next highest cent). 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, a 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, a taxpayer in the 35% rate bracket would save \$20.48 in taxes if the 100 miles could be deducted at the current business mileage rate of 58.5 cents per mile.

Table 6. Income Tax Saving Per 100 Miles, by Marginal Tax Rate, for 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 July - Dec. 2008 (\$ per mile)		
		Medical/ Moving Rate \$0.27	70% of Business Rate \$0.41	Business Rate \$0.585
.10	\$1.40	\$2.70	\$4.10	\$5.85
.15	2.10	4.05	6.15	8.78
.25	3.50	6.75	10.25	14.63
.28	3.92	7.56	11.48	16.38
.33	4.62	8.91	13.53	19.31
.35	4.90	9.45	14.35	20.48

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

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. 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.

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 mileage. Nonetheless, many of the charitable mileage bills introduced in the 110th Congress would further increase the tax benefits for volunteers who are reimbursed for their driving

expenses relative to volunteers who deduct their unreimbursed car expenses. The proposals do not explain the reason for this preferential treatment.

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 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. Several bills would raise the tax-free reimbursement rate to the standard business mileage rate, which is currently 58.5 cents per mile.

Table 7 first considers the tax treatment of a volunteer being reimbursed at 58.5 cents per mile under current law. Column 2 of **Table 7** shows the reimbursement per mile that remains after federal income tax²³ (column 3), at each marginal tax rate (column 1), if a volunteer is reimbursed at the current business standard mileage rate. The calculations assume that the volunteer is reimbursed at \$0.585 per mile and taxed on \$0.445 per mile, which equals the reimbursement in excess of the charitable standard mileage rate of \$0.14 per mile. Column 3 repeats the information from column 4 of **Table 5** to show the tax savings from a deduction of 14 cents per mile, at each marginal tax rate.

Column 4 of **Table 7** shows the ratio of the value of the reimbursement (column 2) relative to the value of the deduction (column 3), both after tax. It shows that the value of a 58.5-cent reimbursement, even after tax, is 8.8 times the value of the 14-cent deduction for a taxpayer in the top 35% tax rate bracket. For a taxpayer in the 10% bracket, the after-tax reimbursement would be worth 38.6 times the value of the charitable standard mileage deduction.

Next, **Table 7** considers the case where unreimbursed charitable mileage expenses could be deducted at the current business standard mileage rate of 58.5 cents per mile, instead of 14 cents per mile, but reimbursements would still be taxed as they are under current law. That is, reimbursement in excess of 14 cents per mile would still be taxed. Column 5 shows the tax savings per mile, at each tax rate, from a deduction at the current standard business rate of 58.5 cents per mile. Looking down column 2, as the marginal tax rate increases at higher income levels, the value of the 58.5 cent reimbursement after tax declines, from 54.1 cents in the 10% tax bracket, down to 42.9 cents in the 35% bracket. In contrast, the tax saving from a deduction of 58.5 cents (column 5) rises, from 5.9 cents per mile in the 10% bracket, to 20.5 cents in the 35% bracket.

Column 6 of **Table 7** shows the ratio of the after-tax value of a reimbursement of 58.5 cents, under current tax rules, from column 2, relative to the tax saving from a deduction at the same per-mile rate of 58.5 cents, from column 5. Even with this unfavorable tax treatment of mileage reimbursements relative to mileage deductions, the after-tax value of the 58.5 cent reimbursement under current law would still be worth twice as much as the tax saving from a deduction of 58.5 cents for taxpayers in the 35% rate bracket. For taxpayers in the 10% rate bracket, the after-tax reimbursement would be worth nine times as much as the tax savings from the deduction.

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

Table 7. Reimbursement of 58.5 Cents After Tax vs. Tax Saving from Deduction at 14 Cents and at 58.5 Cents, by Marginal Tax Rate

(1) Marginal Tax Rate	Current Law			Deduction at Business Mileage Rate	
	(2) Reimbursement of \$0.585 Per Mile, After Federal Tax on \$0.445	Deduction of 14 Cents Per Mile		Deduction of 58.5 Cents Per Mile	
		(3) Tax Saving from Deduction	(4) Value of Reimbursement Relative to Deduction	(5) Tax Saving from Deduction	(6) Value of Reimbursement Relative to Deduction
.10	\$.541	\$.014	38.6	\$.059	9.2
.15	.518	.021	24.7	.088	5.9
.25	.474	.035	13.5	.146	3.2
.28	.460	.039	11.8	.164	2.8
.33	.438	.046	9.5	.193	2.3
.35	.429	.049	8.8	.205	2.1

Source: Calculated by CRS. The tax on the reimbursement (not shown) is equal to the marginal tax rate in column 1 times \$0.445 (the amount of the reimbursement of \$0.585 that is in excess of the charitable standard mileage rate of \$0.14). Column 2 equals \$0.585 minus the tax. Column 3 equals \$0.14 times the marginal tax rate in column 1. Column 4 is the ratio of column 2 to column 3. Column 5 equals \$0.585 times the marginal tax rate in column 1. Column 6 is the ratio of column 2 to column 5.

The bills that would increase the tax benefits for charitable driving only if it is linked to a federally declared disaster follow the rules set forth in KETRA. These bills would permit tax-free reimbursement up to the full business standard mileage rate but only permit mileage deductions at 70% of the business mileage rate. This includes P.L. 110-343, enacted October 3, 2008, which provides these enhanced tax benefits through the end of 2008 for charitable driving related to the Midwestern disaster areas of 2008.

As previously illustrated in **Table 5**, tax-free reimbursement is worth far more than a deduction even if they are the same dollar amount per mile. Setting the tax-free reimbursement amount higher than the deductible amount would make the disparity in after-tax benefits even larger.

Column 2 of **Table 8** shows the tax saving per mile from a charitable mileage deduction at 70% of the business mileage rate, or 41 cents per mile at the current business rate. Column 3 shows the ratio of 58.5 cents, the value of the tax-free reimbursement, to the tax saving from a 41-cent deduction, from column 2. For taxpayers in the top 35% rate bracket, a tax-free reimbursement of 58.5 cents per mile would be worth four times as much as a deduction of 41 cents per mile. For taxpayers in the lowest 10% bracket, the tax-free reimbursement would be worth 14.3 times as much as the deduction per mile. Current proposals do not explain the reason for further increasing the preferential tax benefits for mileage reimbursement relative to a mileage deduction.

Table 8. Disaster-Related Proposals: Tax-Free Reimbursement at 58.5 Cents vs. Deduction at 41 Cents, by Marginal Tax Rate

(1) Marginal Tax Rate	(2) Tax Saving Per Mile from a Deduction at 70% of Business Mileage Rate, or \$0.41 Per Mile	(3) Ratio of Tax-Free Reimbursement of \$0.585 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 current business mileage rate of 58.5 cents per mile equals 41 cents per mile. Column 2 equals \$0.41 times the marginal tax rate in column 1. Column 3 equals \$0.585 (the current business mileage rate) divided by the tax saving in column 2.

Legislative History

Prior to the Deficit Reduction Act of 1984, the IRS set all three of the standard mileage rates. The IRS typically set the same rate for charitable as for medical and moving expenses, and a much higher 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.²⁴ (See **Table A-1.**)

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 Joint Committee on Taxation's (JCT's) explanation of the law explicitly ended the IRS's authority to adjust the charitable mileage rate.²⁵ The other two standard mileage rates continued to be set administratively by the IRS.

In its official explanation of the Deficit Reduction Act, the JCT gave the following reason for the change in the law:

²⁴ 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.

²⁵ "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.

...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.*²⁶ (Emphasis added.)

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

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.²⁷ 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.²⁸

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/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/moving rate had remained at 9 cents per mile from 1980 through 1995. It was raised to 10 cents per mile in 1996. (See **Table A-1**.)

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.²⁹ 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.³⁰

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

²⁶ 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.

²⁷ 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.

²⁸ 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.

²⁹ 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 Lunder, Oct. 24, 2005.

³⁰ 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.

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, 2006.³¹ Sec. 304 of KETRA excluded from the gross income of volunteers reimbursements from charitable organizations for mileage expenses, up to the standard business mileage rate.³²

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 simply 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 are restricted to the federally declared Midwestern disaster areas of 2008. They are 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 35.4 cents per mile. From July 1, 2008, through December 31, 2008, the business standard mileage rate is 58.5 cents per mile, and 70% of that is 41 cents per mile.

Overview of Bills in the 110th Congress

Numerous bills have been introduced in the 110th Congress that would increase the standard mileage rate and/or the tax-free reimbursement rate for charitable driving. This section sorts the bills into three groups. Bills in the first group would raise the charitable standard mileage rate, each to a different level. The second group of bills would permit 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 increase the tax benefits only for charitable driving related to federally declared disasters, for a limited time following the disaster. This section provides an overview discussion of the bills in each group. **Appendix B** provides a brief description of each bill, organized according to the same three groups.

³¹ 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**.

³² 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.

Bills to Raise the Charitable Standard Mileage Rate

Twelve bills introduced in the 110th Congress would raise the charitable standard mileage rate used to calculate itemized deductions for charitable contributions. Each bill takes 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 permanently increase the charitable rate to 40 cents per mile. H.R. 6368 (Brady) would make the charitable rate equal to the medical/moving rate determined by the IRS. Companion bills S. 3429 (Schumer) and H.R. 6835 (Hall) would set the charitable rate at 70% of the business standard mileage rate. H.R. 2020 (Platts) and S. 3421 (Casey) would raise the charitable mileage rate to the standard business mileage rate, as periodically determined by the IRS. H.R. 606 (Hayes) would raise 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 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. H.R. 2415 (Paul) would temporarily raise the charitable rate to the business rate when the price of gasoline is above \$3.00 per gallon.

S. 3246 (Cardin) would give the Secretary of the Treasury the authority to set the charitable rate. Both H.R. 6854 (John Lewis) and S. 3532 (Cardin) would give the Secretary of the Treasury the authority to set the charitable rate, but stipulate that it cannot be set lower than the medical standard mileage rate. H.R. 7006 (Rangel), approved by the House on September 24, 2008, would give the Secretary of the Treasury the authority to set the charitable mileage rate through December 31, 2011, also 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 at 27 cents per mile, the JCT estimated that this provision would cost \$441 million over the four FY2009-FY2012 combined.³³

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

Eight bills introduced in the 110th Congress would exclude from taxable income reimbursements for charitable mileage up to the standard business mileage rate for all volunteers. In the 109th Congress, Section 301 of S. 6 (Santorum)³⁴ 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 restrict 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 make this tax benefit available to all charitable volunteers.

These bills would add 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 (not just the charitable standard mileage rate). H.R. 1827

³³ 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.

³⁴ 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.

(Petri), H.R. 6854 (John Lewis), S. 403 (Feingold), S. 3429 (Schumer), and S. 3532 (Cardin) would exempt 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-FY2017.³⁵

Disaster-Related Bills

Seven bills would restrict 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 provide for both an increase in the applicable standard mileage rate to 70% of the business rate for purposes of the charitable deduction and an alternative exclusion of mileage reimbursements up to the full business mileage rate. The bills borrow 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 (Grassley) to H.R. 3221, companion bills H.R. 6587 (Loeb sack) and S. 3322 (Grassley), and S. 3335 (Baucus). H.R. 6958 (Brady) would increase 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 offer these same two tax benefits for charitable driving but impose 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 are restricted to the presidentially declared Midwestern disaster areas of 2008. Under P.L. 110-343, as well as

³⁵ 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.

H.R. 6049 (Senate) and H.R. 6587/S. 3322, the tax benefits are available for charitable driving “... beginning on the applicable disaster date and ending on December 31, 2008.” Under S.Amdt. 5035, they would be available “... beginning on the applicable disaster date and ending on December 31, 2009.”

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

H.R. 6958 (Brady) would permit mileage reimbursements for volunteers in the Hurricane Ike recovery area, which includes 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 was \$1 million, all in FY2009.³⁶

³⁶ 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 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.

Appendix A. Standard Mileage Rates, 1980 - 2008

Table A-1. Optional Standard Mileage Rates for Business, Medical/Moving, and Charitable Purposes, 1980 - 2008

(cents per mile)

Year	Business	Medical/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

Sources: Internal Revenue Service, annual revenue procedures announcing the standard mileage rates. Jennifer Teefy of the CRS Knowledge Service 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. Individual Bills in the 110th Congress

For a short comparison of the bills within each of the three groups that follow, see the last section of the report, “Overview of Bills in the 110th Congress.”

Bills to Raise the Charitable Standard Mileage Rate

H.R. 606(Hayes)

Volunteer Emergency Responder Fair Mileage Act of 2007. Introduced January 22, 2007; referred to the Committee on Ways and Means. The tax benefits of H.R. 606 would be restricted to volunteer emergency medical responders and firefighters.

For volunteer emergency medical responders and firefighters who are deducting their unreimbursed expenses for use of a passenger automobile for volunteer purposes, Section 3 of H.R. 606 would amend IRC Sec. 170(i) to provide that their standard mileage rate would be the standard rate for business purposes (not the 14 cents per mile rate permitted for other charitable mileage deductions). Furthermore, H.R. 606 would allow this mileage deduction whether or not the taxpayer itemizes other deductions.

Section 2 of H.R. 606 would exclude from gross income the reimbursement of auto operating expenses by a qualified volunteer fire department, at the IRS’s standard business mileage rate.

H.R. 2020 (Platts)

Introduced April 24, 2007; referred to the Committee on Ways and Means. H.R. 2020 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.

H.R. 2415 (Paul)

Affordable Gas Price Act. Introduced May 21, 2007; referred to three committees: Ways and Means, Natural Resources, and Financial Services. Section 7(a) of H.R. 2415 would set a floor of 70 cents per mile on the optional standard mileage rate to be used for computing the deductible costs of operating an automobile for business purposes. Section 7(b) provides that for any day when the highway motor fuel taxes are suspended, the optional standard mileage rates to be used for computing the deductible costs of operating an automobile for medical, moving, and charitable purposes shall be the same as the rate in effect that day for business purposes. Under those circumstances, the 14 cents per mile rate provided in IRC Sec. 170(i) for the charitable mileage deduction would not apply. Under section 6 of the bill, the highway motor fuel taxes would be suspended when the weekly U.S. retail price of regular gasoline, including the federal excise tax, is greater than \$3.00 per gallon.

H.R. 6275 (Brady Amendment)

One of the two amendments offered by Representative Brady to H.R. 6275, a bill to patch the alternative minimum tax (AMT), would have raised all of the standard mileage rates by 33.7% above their January 1, 2008, levels, to reflect the 33.7% increase in the price of gasoline since the beginning of the year. The amendment would have set the business standard mileage rate at 67.5 cents per mile. It would have set the charitable rate at the same level as the medical care and moving rate, at 25.4 cents per mile. (The amendment also would have struck the provision in H.R. 6275 that limited the domestic manufacturing deduction for U.S. oil and gas companies.) This Brady amendment was rejected by a vote of 17-20 in the Ways and Means Committee markup of H.R. 6275 on June 18, 2008.³⁷

H.R. 6283 (John Lewis)

Reimbursing Our American Drivers (ROAD) Act of 2008. Introduced June 17, 2008; referred to the Committee on Ways and Means and the Committee on Oversight and Government Reform. Companion to S. 3032 (Schumer). H.R. 6283 would permanently increase the standard mileage rate for charitable use of an automobile from 14 cents to 40 cents per mile. For 2008 only, H.R. 6283 would increase the standard mileage rate to 70 cents per mile for calculating deductions related to the use of an automobile for business, medical care, or moving purposes, and for determining the reimbursement rate for federal employees on official business.

H.R. 6368 (Brady)

Introduced June 25, 2008; referred to the Committee on Ways and Means. H.R. 6368 would repeal the current 14 cents per mile standard rate for charitable activities. Instead, it would amend IRC Sec. 170(i) to make the charitable standard mileage rate equal to the standard rate determined by the IRS for purposes of the medical care and moving expense deductions. Temporarily, from the date of enactment until the end of 2008, the standard mileage rate for business, medical, and moving purposes would not be less than one-third greater than the rate in effect for each category on January 1, 2008, or the rate prescribed by the IRS for the category, whichever is higher.

H.R. 6675 (Latta)

Introduced July 30, 2008; referred to the Committee on Ways and Means. H.R. 6675 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."

H.R. 6835 (Hall)

Giving Incentives to Volunteers Everywhere Act of 2008 or the GIVE Act of 2008. Introduced September 8, 2008; referred to the Committee on Ways and Means. Companion to S. 3429 (Schumer). Section 2 of H.R. 6835 would set the charitable mileage rate at 70% of the business rate at the time. Section 3 would add a new Section 139C to the IRC permitting tax-free

³⁷ Phil Mattingly, "House Committee Approves One-Year 'Patch' for AMT," *Congressional Quarterly*, June 18, 2008. Available online at <http://www.cq.com>.

reimbursement for charitable mileage up to the full business standard mileage rate. Charitable organizations would be exempt from IRS reporting requirements on these reimbursements.

H.R. 6854 (John Lewis)

Introduced September 10, 2008; referred to the Committee on Ways and Means. H.R. 6854 would give the Secretary of the Treasury the authority to set the charitable standard mileage rate. However, H.R. 6854 stipulates that the charitable rate shall not be less than the medical standard mileage rate. H.R. 6854 would permit reimbursement for charitable mileage to be tax-free up to the business standard mileage rate.

H.R. 7006 (Rangel)

Disaster Tax Relief Act of 2008. Introduced September 23, 2008; referred to the Committee on Ways and Means. Passed by the House, 419-4, on September 24. H.R. 7006 would give the Secretary of the Treasury the authority to set the charitable standard mileage rate through December 31, 2011. Like H.R. 6854, H.R. 7006 stipulates that the charitable rate shall not be less than the medical standard mileage rate, which is currently 27 cents per mile. Despite the name of the bill, this change in the charitable standard mileage rate would apply to all charitable use of a passenger vehicle, not just driving related to a federally-declared disaster. H.R. 7006 includes other disaster tax relief provisions.

S. 1220 (Schumer)

Reimbursing Our American Drivers (ROAD) Act of 2007. Introduced April 25, 2007; referred to the Committee on Finance. S. 1220 proposed a permanent increase in the charitable mileage rate to 30 cents per mile and a temporary increase, for 2007 only, in the business, medical, and moving standard mileage rates and the federal reimbursement rate, to 60 cents per mile.

S. 3032 (Schumer)

Reimbursing Our American Drivers (ROAD) Act of 2008. Introduced May 19, 2008; referred to the Committee on Finance. Companion to H.R. 6283 (John Lewis). S. 3032 would permanently increase the standard mileage rate for charitable use of an automobile from 14 cents to 40 cents per mile. For 2008 only, S. 3032 would increase the standard mileage rate to 70 cents per mile for calculating deductions related to the use of an automobile for business, medical care, and moving purposes, and for determining the reimbursement rate for federal employees on official business. S. 3032 supplants S. 1220 (Schumer).

S. 3246 (Cardin)

Fair Deal for Volunteers Act of 2008. Introduced July 10 (legislative day, July 9), 2008; referred to the Committee on Finance. S. 3246 would amend IRC Sec. 170(i) to give the Secretary of the Treasury the authority to set the charitable standard mileage rate.

S. 3421 (Casey)

Introduced August 1, 2008; referred to the Committee on Finance. S. 3421 would set the charitable standard mileage rate equal to the business standard mileage rate determined by the Secretary of the Treasury.

S. 3429 (Schumer)

Giving Incentives to Volunteers Everywhere (GIVE) Act of 2008. Introduced August 1, 2008; referred to the Committee on Finance. Section 2 of S. 3429 would amend Sec. 170(i) of the IRC to set the charitable standard mileage rate equal to 70% of the standard business mileage rate. (For example, at the current business mileage rate of 58.5 cents per mile, the charitable rate would be 41 cents per mile.) Section 3 of S. 3429 is nearly identical to Section 1 of S. 403. It would permit volunteers to exclude from their gross income mileage reimbursements from charitable organizations, up to the standard business mileage rate. It would also exempt the charitable organizations from IRS reporting requirements on those reimbursements.

S. 3532 (Cardin)

Giving Incentives to Volunteers Everywhere Act of 2008 or the GIVE Act of 2008. Introduced September 22 (legislative day, September 17), 2008; referred to the Committee on Finance. 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, on the condition that it not be set lower than the medical standard mileage rate. Section 3 of S. 3532 would add a new Sec. 139C to the IRC permitting charitable mileage reimbursement to be tax-free up to the business standard mileage rate.

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

H.R. 606 (Hayes)

Volunteer Emergency Responder Fair Mileage Act of 2007. Introduced January 22, 2007; referred to the Committee on Ways and Means. H.R. 606 would restrict to volunteer emergency medical responders and firefighters a new exclusion from gross income for mileage reimbursements, up to the standard business mileage rate. Section 2 of H.R. 606 would add a new section 139B to the Internal Revenue Code to exclude from gross income the reimbursement of auto operating expenses by a qualified volunteer fire department, at the IRS's standard mileage rate for operating a passenger automobile for business purposes. Unlike H.R. 1827 and S. 403, H.R. 606 does not include an exemption from reporting requirements for the qualified volunteer fire department that pays the reimbursements.

H.R. 606 also contains special provisions for volunteer emergency medical responders and firefighters who are not reimbursed and who are instead deducting their expenses for use of a passenger automobile for volunteer purposes. Section 3 of H.R. 606 would amend IRC Sec. 170(i) to provide that their standard mileage rate would be the standard rate for business purposes, and not the 14 cents per mile rate permitted for other charitable mileage deductions.

Furthermore, H.R. 606 would allow this mileage deduction whether or not the taxpayer itemizes other deductions.

H.R. 1827 (Petri)

Introduced March 29, 2007; referred to the Committee on Ways and Means. H.R. 1827 is nearly identical to section 1 of S. 403 (Feingold). H.R. 1827 would add a new section 139B 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 received from nonprofit charitable organizations for the operating expenses of a passenger automobile used to benefit the organizations, at the IRS's standard business mileage rate. The taxpayer could not use this exclusion if a deduction or credit was claimed for the same auto expenses. The charitable organization 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. 1827 includes an additional subsection (not included in S. 403) that restricts the application of the reimbursement exclusion to volunteer services, and not to any expenses related to services performed for compensation. Provisions similar to H.R. 1827, minus the exemption from reporting requirements, were included in the version of the farm bill, H.R. 2419, approved by the Senate, but were not included in the final Food, Conservation, and Energy Act of 2008, P.L. 110-234.³⁸

H.R. 2419 (Senate)

Food and Energy Security Act of 2007, as approved by the Senate on December 14, 2007. This was a Senate amendment in the nature of a substitute to H.R. 2419. Section 12803 of the Senate amendment was similar to the provision included in Section 1 of S. 403 (Feingold) and in H.R. 1827 (Petri), except that it did not include the exemption from reporting requirements. The Senate-passed amendment to H.R. 2419 would have added a new section 139B 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 received from nonprofit charitable organizations for the operating expenses of a passenger automobile used to benefit the organizations, at the IRS's standard business mileage rate. The taxpayer could not use this exclusion if a deduction or credit was claimed for the same auto expenses. This provision was not included in the final version of the Food, Conservation, and Energy Act of 2008, enacted as P.L. 110-234 on May 22, 2008.

H.R. 6835 (Hall)

Giving Incentives to Volunteers Everywhere Act of 2008 or the GIVE Act of 2008. Introduced September 8, 2008; referred to the Committee on Ways and Means. Companion to S. 3429 (Schumer). Section 3 of H.R. 6835 would add a new Section 139C to the IRC permitting tax-free reimbursement for charitable mileage up to the business standard mileage rate. Charitable organizations would be exempt from IRS reporting requirements on these reimbursements. Section 2 would set the charitable mileage rate at 70% of the business rate at the time.

³⁸ In the 109th Congress, similar provisions were included in Section 311 of S. 6 (Santorum) and Section 1 of S. 315 (Feingold).

H.R. 6854 (John Lewis)

Introduced September 10, 2008; referred to the Committee on Ways and Means. H.R. 6854 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. Like S. 3246 (Cardin), H.R. 6854 would give the Secretary of the Treasury the authority to set the charitable standard mileage rate. However, H.R. 6854 stipulates that the charitable rate shall not be less than the medical standard mileage rate.

S. 403 (Feingold)

Introduced January 26, 2007; referred to the Committee on Finance. Section 1 of S. 403 would add a new section 139B 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 received from nonprofit charitable organizations for the operating expenses of a passenger automobile used to benefit the organizations, at the IRS's standard business mileage rate. The taxpayer could not use this exclusion if a deduction or credit was claimed for the same auto expenses. The charitable organization 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. S. 403 is identical to S. 315 (Feingold) in the 109th Congress.

Section 1 of S. 403, regarding mileage reimbursements to charitable volunteers, is nearly identical to H.R. 1827 (Petri). Provisions similar to section 1 of S. 403, minus the exemption from reporting requirements, were included in the version of the farm bill, H.R. 2419, approved by the Senate, but were not included in the final Food, Conservation, and Energy Act of 2008, P.L. 110-234.

S. 3429 (Schumer)

Giving Incentives to Volunteers Everywhere (GIVE) Act of 2008. Introduced August 1, 2008; referred to the Committee on Finance. Companion to H.R. 6835 (Hall). Section 3 of S. 3429 is nearly identical to Section 1 of S. 403. It would permit volunteers to exclude from their gross income mileage reimbursements from charitable organizations, up to the standard business mileage rate. It would also exempt the charitable organizations from IRS reporting requirements on those reimbursements. Section 2 of S. 3429 would amend Sec. 170(i) of the IRC to set the charitable standard mileage rate equal to 70% of the standard business mileage rate. (At the current business mileage rate of 58.5 cents per mile, for example, the charitable rate would be 41 cents per mile.)³⁹

S. 3532 (Cardin)

Giving Incentives to Volunteers Everywhere Act of 2008 or the GIVE Act of 2008. Introduced September 22 (legislative day, September 17), 2008; referred to the Committee on Finance. Section 3 of S. 3532 would add a new Sec. 139C to the IRC permitting charitable mileage

³⁹ For a brief description of all the disaster tax relief provisions in companion bills H.R. 6587/S. 3322 and S. 3335, see CRS Report RS22941, *Disaster Tax Relief for the Midwest*, by Erika Lunder.

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.

Disaster-Related Bills

P.L. 110-343/H.R. 1424(Senate amendment)

The Heartland Disaster Tax Relief Act of 2008 is Title VII of P.L. 110-343, which also includes the Emergency Economic Stabilization Act of 2008 (the financial rescue bill). Sections 702(e)(2) and 702(e)(3) of P.L. 110-343 modified the language of Sections 303 and 304 of KETRA with simply 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.” The enhanced tax benefits for volunteer driving are restricted to the Midwestern disaster areas of 2008. The two tax provisions in P.L. 110-343 relevant to charitable mileage are identical to those in three other Midwestern disaster area tax relief bills: H.R. 6049 (as amended and passed by the Senate) and companion bills H.R. 6587 (Loebsack)/S. 3322 (Grassley).

H.R. 1424 (Kennedy) was introduced March 9, 2007, as the Paul Wellstone Mental Health and Addiction Equity Act of 2007. It first passed the House on March 5, 2008, with the addition of the Genetic Information Nondiscrimination Act of 2008. On September 29, 2008, the House defeated the initial financial rescue bill proposed by Treasury Secretary Henry Paulson, H.R. 3997 as amended by the House. In a second attempt to pass a financial rescue bill, the Senate approved an amendment in the nature of a substitute to H.R. 1424 by a vote of 74-25 on October 1, 2008. The House then agreed to the Senate amendment by a vote of 263-171 on October 3. The bill was signed by the President a few hours later and became P.L. 110-343.

P.L. 110-343 contains five separately named acts. In addition to the Heartland Disaster Tax Relief Act of 2008 and the Emergency Economic Stabilization Act of 2008 (the financial rescue bill), P.L. 110-343 also includes the Energy Improvement and Extension Act of 2008 (containing energy tax incentives), the Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008, and the Tax Extenders and Alternative Minimum Tax Relief Act of 2008. The law includes numerous other individual provisions as well.

H.R. 6049 (Senate)

Tax Extenders and Alternative Minimum Tax Relief Act of 2008, as amended and passed by the Senate on September 23, 2008. H.R. 6049 (Senate) would modify the language of Sections 303 and 304 of KETRA with simply a change in the applicable dates. It would substitute “beginning on the applicable disaster date and ending on December 31, 2008” for “beginning on August 25, 2005, and ending on December 31, 2006.” It would restrict the enhanced tax benefits to volunteer driving related to the Midwestern disaster areas of 2008. H.R. 6049 would make numerous other changes to the Internal Revenue Code. The two charitable mileage provisions in H.R. 6049 were included in P.L. 110-343.

H.R. 6587 (Loebsack)

Midwestern Disaster Tax Relief Act of 2008. Introduced July 23, 2008; referred to the Committee on Ways and Means. Companion to S. 3322 (Grassley). H.R. 6587 would modify the language of Sections 303 and 304 of KETRA with simply a change in the applicable dates. It would substitute “beginning on the applicable disaster date and ending on December 31, 2008” for “beginning on August 25, 2005, and ending on December 31, 2006.” H.R. 6587 would make numerous other changes to the Internal Revenue Code, all targeted to the presidentially declared Midwestern disaster area. The two charitable mileage provisions in H.R. 6587 were included in P.L. 110-343.

H.R. 6958 (Brady)

Hurricane Ike Tax Relief Act of 2008. Introduced September 18, 2008; referred to the Committee on Ways and Means. H.R. 6958 would apply section 304 of KETRA, but not section 303, to the Hurricane Ike recovery area, which includes parts of Louisiana and Texas. H.R. 6958 would permit mileage reimbursements for volunteers 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. H.R. 6958 also would apply other provisions of KETRA to the Hurricane Ike recovery area.

S.Amdt. 5035 (Grassley)

Senate Amendment to Dodd-Shelby Amendment (S.Amdt. 4983) to H.R. 3221, the Housing Rescue and Foreclosure Prevention Act of 2008. Submitted June 24, 2008; was not voted on. The Grassley amendment would have added to H.R. 3221 a section entitled “Temporary Tax Relief for Areas Damaged by 2008 Midwestern Severe Storms, Tornadoes, and Floods.” It contained many of the same benefits that were included in the Katrina Emergency Tax Relief Act of 2005 (KETRA, P.L. 109-73). The two provisions addressing the charitable standard mileage rate were included in subsection (e)(2) of the first section of the Grassley amendment.

The Grassley amendment would have made the two special charitable standard mileage rates available to volunteers serving in Midwestern areas declared as disaster areas by the President between May 20, 2008, through July 31, 2008. The tax benefits would have been available for charitable driving “... beginning on the applicable disaster date and ending on December 31, 2009.”

S. 3322 (Grassley)

Midwestern Disaster Tax Relief Act of 2008. Introduced July 23, 2008; referred to the Committee on Finance. Companion to H.R. 6587 (Loebsack). S. 3322 would modify the language of Sections 303 and 304 of KETRA with simply a change in the applicable dates. It would substitute “beginning on the applicable disaster date and ending on December 31, 2008” for “beginning on August 25, 2005, and ending on December 31, 2006.” S. 3322 would make numerous other changes to the Internal Revenue Code, all targeted to the presidentially declared Midwestern disaster area. The two charitable mileage provisions in S. 3322 were included in P.L. 110-343.

S. 3335 (Baucus)

Jobs, Energy, Families, and Disaster Relief Act of 2008. Also referred to as the Democratic Senate extenders bill. Introduced July 24 (legislative day, July 23), 2008; read the second time and placed on the calendar July 25, 2008. Four attempts to invoke cloture on the bill before July 31 failed. Sec. 505 of S. 3335 would add a new Section 1400U to the Internal Revenue Code, labeled “Tax Benefits for Federally Declared Disasters.” It replicates 11 of the provisions enacted by KETRA following Hurricane Katrina. In particular, S. 3335 provides that, in the case of a federally declared disaster, for 18 months following the disaster, under subsection 1440U(h) the standard mileage rate for charitable use of vehicles would be raised to 70% of the standard business mileage rate at the time of such use (rounded to the next highest cent). Under subsection 1400U(i) volunteers could exclude from their gross income reimbursement (of operating expenses with respect to use of a passenger automobile for the benefit of a charitable organization) up to the full business standard mileage rate. The tax provisions would apply to any federally declared disaster occurring in 2008 or 2009.

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