

# Volunteer Driver Reimbursement and Insurance Information

February 3, 2011

## Volunteer Vehicle Insurance

All volunteer drivers should be made aware of HB 767 that prohibits insurance companies from refusing to issue motor vehicle insurance or increasing the rates for a person who is a volunteer driver, whether or not he/she receives mileage reimbursement. Not all insurers within the state are aware of the law and may advise the volunteer that he/she will be required to change the provisions of their or increase their rates. The pertinent section of HB 767 is below as is the definition of a charitable organization.

**CHAPTER 351**  
**HB 767 – FINAL VERSION**  
2007 SESSION

## HOUSE BILL 767

AN ACT relative to insurance for volunteer drivers and establishing a state coordinating council for community transportation. Enacted July 17, 2007.

SPONSORS: Rep. Rodeschin, Sull 2; Rep. Theberge, Coos 4; Rep. Wallner, Merr 12; Rep. Hager, Merr 12; Rep. Stiles, Rock 15; Sen. Odell, Dist 8; Sen. Burling, Dist 5; Sen. Gallus, Dist 1; Sen. Foster, Dist 13. COMMITTEE: Commerce

STATE OF NEW HAMPSHIRE

*In the Year of Our Lord Two Thousand Seven*

AN ACT relative to insurance for volunteer drivers and establishing a state coordinating council for community transportation.

*Be it enacted by the Senate and House of Representatives in General Court convened:*

351:1 New Section; Rate Regulation, Motor Vehicle Insurance; Volunteer Drivers. Amend RSA 412 by inserting after section 17 the following new section:

412:17-a Volunteer Drivers. **An insurer may not refuse to issue a policy** of automobile insurance, as defined in RSA 417-A, to an applicant solely because the applicant is a volunteer driver. **An insurer may not impose a surcharge or otherwise increase the rate for a policy** of automobile insurance solely on the basis that the named insured, a member of the insured's household, or a person who customarily operates the insured's vehicle is a volunteer driver. **For purposes of this section, "volunteer driver" means a person who provides services, including transporting individuals or goods, without compensation above expenses to a charitable organization as defined in RSA 7:21**(see definition below). This section does not prohibit an insurer from refusing to renew, imposing a surcharge, or otherwise raising the rate for a policy of automobile insurance based upon factors other than the volunteer status of the insured driver. 351:4 Effective Date: Section 1 of this act shall take effect January 1, 2008.

### Director of Charitable Trusts

**Section 7:21 Definitions.** – For the purposes of this subdivision, the following words shall have the following meanings unless the context clearly indicates otherwise:

... **(b) "Charitable organization"** means the following:

(1) Any person or entity that is determined by the Internal Revenue Service to be a tax exempt organization pursuant to **section 501(c) (3) of the Internal Revenue Code**, as that

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section now exists or may hereafter be amended; or

(2) Any other person or entity that is or holds itself out to be established, in whole or in part, for any benevolent, philanthropic, patriotic, educational, humane, scientific, public health, environmental conservation, civic, or other charitable purpose or any person who in any manner employs a charitable appeal as the basis of any solicitation or an appeal that suggests that there is a charitable purpose to any solicitation. "Charitable organization" is not limited to those organizations to which contributions are tax deductible under section 170 of the Internal Revenue Code.

## Volunteer Mileage Reimbursement

The IRS annually sets a rate for mileage reimbursement. The rates set for 2011 are contained in the IRS document below. Following that, is a document explaining an IRS ruling on driver reimbursement that dates to 1986. Volunteer drivers are advised to consult with their own financial advisor or tax preparer, but in general the following applies:

- The "Standard" mileage rate is the **maximum amount that a volunteer can be reimbursed by the organization**. Volunteer drivers may receive **non-taxable** mileage reimbursement up to the IRS Standard Mileage rate. Generally, a **volunteer that receives reimbursement would not also calculate mileage as a charitable contribution**.
- The "Charitable" mileage rate is the maximum at which a driver may calculate his **service as a contribution** for tax purposes. Deduction of mileage expenses to a charity requires extensive recordkeeping to substantiate claims.

## IRS Announces 2011 Standard Mileage Rates

<http://www.irs.gov/newsroom/article/0,,id=232017,00.html>

IR-2010-119, Dec. 3, 2010

*Corrected on Dec. 13, 2010, to reflect changes for 2011*

WASHINGTON — The Internal Revenue Service today issued the 2011 optional standard mileage rates used to calculate the deductible costs of operating an automobile for business, charitable, medical or moving purposes.

Beginning on Jan. 1, 2011, the standard mileage rates for the use of a car (also vans, pickups or panel trucks) will be:

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

The standard mileage rate for business is based on an annual study of the fixed and variable costs of operating an automobile. The rate for medical and moving purposes is based on the

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variable costs as determined by the same study. Independent contractor Runzheimer International conducted the study.

A taxpayer may not use the business standard mileage rate for a vehicle after using any depreciation method under the Modified Accelerated Cost Recovery System (MACRS) or after claiming a Section 179 deduction for that vehicle.

In addition, the business standard mileage rate cannot be used for more than four vehicles used simultaneously. The IRS is requesting public comments on whether taxpayers should be allowed to use the business standard mileage rate in this circumstance.

Beginning in 2011, a taxpayer may use the business standard mileage rate for vehicles used for hire, such as taxicabs.

Also beginning in 2011, the standard mileage rates are announced in a separate notice, which also provides the amount a taxpayer must use in calculating reductions to basis for depreciation taken under the business standard mileage rate and the maximum standard automobile cost for automobiles under a FAVR allowance. The IRS plans to discontinue publishing the standard mileage rate revenue procedure annually but will publish modifications as required.

Taxpayers always have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rates.

[Revenue Procedure 2010-51](#) and [Notice 2010-88](#) contain additional details regarding the standard mileage rates.

February 3, 2011

May 1986 Vol. 4, No. 5

# Rural Transportation

## REPORT

Serving the Rural and Specialized Transit Industry

### IRS Clarifies Reimbursement Policy

Many small transit systems reimburse volunteers who transport elderly, handicapped, and other transportation disadvantaged persons, usually at a rate between \$0.20 and \$0.25 per mile. Such reimbursements may have some unforeseen tax reporting implications for operators and volunteers, as Mary Joyce Mulroy of the Office of Statewide Transportation Programs of the University of Wisconsin-Extension in Milwaukee has pointed out (see May 1985 *RTR*, p. 2).

Mulroy noted that agencies, volunteers, and the IRS itself have offered different interpretations of IRS rules concerning reimbursements paid to volunteers. The way these rules are interpreted could, among other consequences, jeopardize the social security income upon which many retired volunteers depend. This lack of consistency raises several questions: Are agencies required to report reimbursements paid to volunteers? Does the IRS consider reimbursements as part of volunteers' gross incomes? Are volunteers required to report reimbursements on their tax returns? Are any of volunteers' expenses deductible? What kind of records must volunteers keep to substantiate their tax information?

After reading in *RTR* of Mulroy's concerns, Urban Mass Transportation Administrator Ralph Stanley asked the IRS to clarify its rules, noting that volunteer contributions to these agencies reflect the president's goal to reduce federal involvement in local assistance programs and should not be discouraged through the tax code.

In response, the IRS says that small transit operators do not have to report reimbursements paid to volunteers, even if the payments exceed \$600 annually. Organizations are required to report only payments that are fixed and determinable, meaning that the amounts can be calculated and predetermined. Operators lack the information to meet this criteria.

This leaves volunteers themselves as the only source of information about how much they are reimbursed. Whether volunteers need to report these payments depends upon whether they are retired, how much their donated services actually cost them, and how much they are reimbursed.

Any volunteers whose activities fall within the provisions of the Retired Senior Volunteer Program or Title II of the Domestic Volunteer Act of 1975 do not have to report reimbursements for

their volunteer activities as part of their gross income, no matter what their actual expenses. At the same time, if the amounts they are reimbursed do not cover all of their expenses in providing the service, they cannot deduct the unreimbursed expenses from their gross incomes when calculating their federal income tax. Retired volunteers, therefore, have no reason to keep comprehensive records of their volunteer activities for tax purposes.

For volunteers not covered by these programs, the IRS would consider only the portion of reimbursements that exceeds their actual expenses in providing the service as additional gross income. In practice, it is unlikely that volunteers are reimbursed for the full costs associated with the service. Because reimbursements will not exceed their costs, and their systems will not report the reimbursements, non-retired volunteers also do not have to document their expenses and reimbursements for the IRS. If, however, they want to take the per-mile deduction allowed for unreimbursed expenses incurred when donating a service to charity, they do have to keep comprehensive records to substantiate their claims. □