

# Removing Tax Code Impediments to Volunteering

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A unique feature of the charitable sector is its ability to tap into the support of dedicated volunteers to address community needs and challenges. The importance of volunteers to the charitable sector cannot be overstated; the [value of volunteer hours](#) amounts to half the charitable contributions every year. The connection between volunteerism and positive [civic engagement](#) also cannot be underestimated. With services ranging from board membership to meal deliveries and community clean-up assignments, and much more, volunteers help charitable nonprofits advance their missions and strengthen communities.

However, volunteer rates are declining. A biennial [study from AmeriCorps](#) found that formal volunteering dropped more than 23% percent, from 30% of the public in 2019 to 23.2% in 2021. Further, nearly 70% percent of nonprofits report that they were [still using fewer volunteers](#) than normal in 2022.

Nonprofits facing [increases in demand for services](#), [staff shortages](#), and [drops in revenue sources](#) turn to volunteers to support their missions and create a meaningful experience for them. Yet, there are many barriers to volunteering, such as costs, that nonprofits cannot address alone. Federal tax policy actually discourages volunteerism in significant ways that must be redressed to reverse the trends in volunteering.

## Tax Policy Proposals

Congress can promote the ability of nonprofits to recruit and support volunteers who wish to dedicate their time to missions and communities by removing current disincentives in tax policy.

### 1. Charitable Mileage Rate

Individuals often point to high gas prices and poor tax incentives as the main reasons they cannot donate their time in rural communities and transit deserts. Volunteers who use their vehicles in service of a charitable organization – most often through delivery of meals to shut-in seniors and driving patients from their homes to doctor appointments – are allowed to claim their mileage as an itemized deduction. The [volunteer mileage rate](#), however, has not been adjusted since it was set in 1997; it is fixed at 14 cents/mile. The standard business rate, on the other hand, is adjusted at least annually, with the most recent rate set at 67 cents/mile.

To make matters worse, the federal government and some states require volunteer drivers to pay income taxes on expense reimbursements from nonprofits that exceed the charitable mileage rate. This means that if nonprofits – to attract and keep volunteer drivers – offer to

reimburse them for mileage at the standard business rate (currently 67 cents/mile), drivers can be taxed on the 53 cents/mile above the 14 cents/mile they could otherwise deduct. With higher gas prices and fewer volunteers, the costs of driving long distances to deliver meals or taking individuals to medical appointments is prohibitive for many.

The networks of the National Council of Nonprofits call for increasing the charitable mileage rate to at least match the standard business rate. Congress should ensure tax fairness by approving legislation, such as the bipartisan **Volunteer Driver Tax Appreciation Act of 2023** ([S. 3020](#)/[H.R. 3032](#)). That bill would raise the charitable mileage rate from 14 cents per mile to the standard business rate for volunteers who drive their vehicles on behalf of charitable nonprofits to transport property or individuals. Notably, this is a narrower standard than current law for the smaller itemized deduction in that it applies primarily to deliveries rather than driving to and from charitable meetings and events.

The legislation would also eliminate the income taxation on mileage reimbursements up to the standard business rate. Charitable nonprofits would not be required to reimburse volunteer drivers, but their volunteers would no longer be penalized when they do.

These long-needed reforms would reduce impediments to volunteering for many taxpayers, leading to greater engagement and impact in communities.

## **2. Education and Service Awards**

Another challenge arises from the taxation of stipends received to defray the costs of volunteers. Thousands of individuals participate in AmeriCorps programs every year and are eligible for specific awards, such as the Segal AmeriCorps Education Award, once their term of service is complete. However, they can be taxed on the benefits they are promised when signing up. For those completing their term by serving at a nonprofit, the award and taxation can influence whether they would pursue a career in the sector after they finish their volunteer service.

We support legislation that ensures governments do not tax the benefits provided to those who dedicate their time to nonprofit missions. The **Segal AmeriCorps Education Award Tax Relief Act of 2023** ([S. 3487](#)/[H.R. 6759](#)) would end the taxation of the Education Awards. The **Action for National Service Act** ([S. 779](#)/[H.R. 1588](#)) would, among other things, ensure that expanded educational benefits and living allowances are exempt from federal taxes.

No one is profiting financially from participating in AmeriCorps volunteer programs; the true rewards for participants comes through character-building work experiences, a mission-driven mindset, and the value of contributing to their communities. Governments should not discourage these investments in individuals' futures by taxing stipends designed to defray the costs of volunteering in communities.