

Tax Deductions for Volunteers

By Conrad Teitell, LL.B., LL.M.

Volunteers who contribute their time to nonprofits certainly aren't motivated by tax breaks. Many probably don't even know they're entitled to deduct the expenses they incur in helping your organization.

The federal government appreciates their efforts too, and treats some of their costs as charitable contributions that they can deduct on the 2007 income tax return if they itemize. Here's a brief rundown of the tax aspects of the costs they incur in rendering gratuitous services.

- Volunteers may deduct unreimbursed expenses incurred incidental to their volunteer work. So fares spent in going from home to office (or other places where they render services), phone calls, postage stamps, stationery, and similar out-of-pocket costs are deductible as charitable donations.
- A volunteer may deduct 14¢ per mile when using a vehicle to do volunteer work. He or she may also deduct unreimbursed parking and toll costs. Instead, a volunteer can deduct actual allowable expenses for gas and oil (tolls and parking too) provided he or she keeps proper records (e.g., credit card receipts, canceled checks, travel diary). However, insurance and depreciation on the volunteer's car aren't deductible.
- If someone travels as a volunteer and must be away from home overnight, reasonable payments for meals and lodging as well as transportation costs are deductible. Out-of-pocket costs at a convention connected with the volunteer work are deductible only if the volunteer is chosen to represent the organization.
- To deduct unreimbursed expenses of \$250 or more the volunteer must substantiate the deduction with a written receipt and have the receipt in hand *before* filing the income tax return. If the volunteer files the return after the due date (or after an extended due date), the receipt must nevertheless have been in his or her hand by the due date (plus any extensions).

— Page 1 of 3 —

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- A volunteer who has unreimbursed expenditures of \$250 or more while providing volunteer services to a charity is treated as having obtained a receipt from the charity (and thus may deduct those expenses) if the volunteer has adequate records for his or her volunteer expenses (those generally required to substantiate deductions) and obtains an abbreviated receipt from the charity. The receipt must contain: (1) a description of the volunteer's services; (2) a statement whether the charity provided any goods or services in exchange for the unreimbursed expenses; (3) a description and good faith estimate of the value of any goods or services provided (if the goods or services provided consist of any intangible religious benefits, the receipt must so state); and (4) if no goods or services were provided, the receipt must so state.
- The volunteer may not deduct travel expenses as charitable gifts if there's a significant element of personal pleasure, recreation or vacation in the travel. But enjoying the volunteer work doesn't rule out a deduction. For example, an on-duty troop leader for a tax-exempt youth group who takes children belonging to the group on a camping trip may deduct qualifying travel expenses even if he or she enjoys the trip or likes supervising children.
- The volunteer may also deduct unreimbursed expenses incurred in operating personal property while performing volunteer work (*e.g.*, the cost of film in using a camera). However, the volunteer may not deduct insurance and depreciation or the cost of the equipment. And a volunteer may not deduct the value of his or her services. For example, suppose the prevailing rate for the services rendered is \$50 per hour. If the volunteer devotes 100 hours during the year rendering those services, he or she may not deduct the \$5,000 value of those services. Although deductions are allowed for property gifts, the IRS doesn't consider services "property." Also, the use of a home for meetings is not a "property contribution."
- Finally, it's up to the volunteer to substantiate the deductions if the IRS questions them—and be prepared to prove costs with canceled checks, receipted bills, diary entries, etc. The volunteer should also be ready to show the connection between the costs and the volunteer work.

The tax aspects and reporting requirements for all charitable gifts depend on individual circumstances. As in all cases, volunteers are urged to consult their own advisers.

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—— Page 3 of 3 ——

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