

Are your Volunteers taking Advantage of Deductions Available to Them?

The Winter 2001 issue of *Nonprofit Insight* included a short article entitled, "Vacation Time Volunteering." As a result of that publication we have had requests for more detailed information regarding allowable charitable contributions related to volunteering. According to a study recently completed by Eastern College, volunteer hours provided to Pennsylvania nonprofit organizations totaled 692 million adult and 11.7 million youth hours. The adult hours translate to 407,000 full-time unpaid employees. That is a lot of volunteering!

As a result of volunteering, most people incur some type of expense that is a charitable tax deduction. Yet frequently they do not know what expenses can and cannot be deducted and what documentation is required to support the deduction.

General Guidelines

A charitable tax deduction is allowed for non-reimbursed, out-of-pocket expenses that are directly connected with your performance as a volunteer for a qualified organization. Organizations not qualified are the Chamber of Commerce, civic leagues and associations, Communist organizations, country clubs, foreign organizations except for certain Canadian, Mexican and Israeli organizations, homeowners' associations, labor unions and political organizations/candidates. Most all other nonprofit organizations are qualified.

Out-of-Pocket Expenses

Out-of-Pocket expenses are deductible if they 1) are unreimbursed, 2) are directly connected with the volunteer services, 3) were incurred only because of the services rendered, and 4) are not personal, living, or family expenses. The IRS specifically addresses numerous types of out-of-pocket expenses that are deductible, including:

Auto Expenses

Allowable: The cost of using your vehicle as a volunteer is considered deductible. The amount is limited to the actual cost of gas

and oil or the standard mileage deduction of 14 cents per mile. You may also deduct the cost of parking and tolls. For example, the trip to the organization's location and back is deductible. Carpooling youth to an activity is deductible. A trip to the store only for the reason of buying supplies used in your capacity as a volunteer is deductible.

Unallowable: The cost of repairs, general maintenance, insurance, tires and depreciation are not deductible even if the vehicle is only used in volunteer service.

Documentation: Written records should document the place, date, mileage, and activity. Odometer readings are not required. Records of actual expenditures should also be maintained.

Clothing

Allowable: The cost and upkeep of uniforms that are not suitable for everyday use and that you must wear while performing donated services are deductible. For example, the cost of a Girl Scout or Boy Scout uniform would be deductible. A clergy robe and the expense of dry-cleaning it would be deductible by a pastor who donates services at a nonprofit nursing home. A hospital volunteer could deduct the cost of clothes not worn other than when volunteering at the hospital.

Conferences

Allowable: The cost of travel and transportation, including meals, lodging while away from home overnight as a representative for a qualified nonprofit.

Unallowable: Costs are unallowable if you attend as a member of an organization but not as a chosen representative. For example, if you attend a church conference as a member of your congregation but not as a chosen representative, your costs are not deductible.

Travel

Allowable: Necessary expenses incurred while away from home performing services for a qualified nonprofit organization are deductible only if there was no significant element of personal pleasure, recreation or vacation in the travel. The expenses will not be denied if you found it pleasurable to provide the services to the charitable organization. Deductible travel expenses include air, rail, and bus transportation; out-of-pocket expenses for your car; other transportation costs such as taxi fares; lodging costs; and cost of meals, including tips. For example, if participate in a Habitat for Humanity trip to West Virginia, your expenses would deductible if you spent most of the time working. If you worked eight hours and then went to a ballgame in the evening, your travel expenses would be deductible. The cost of the ballgame would not be deductible.

Unallowable: Your participation in a Habitat for Humanity trip requires three hours of work each day and then you have free time for the rest of the day. You cannot take a charitable deduction because a significant part of your trip did not involve providing services to the charitable organization.

Documentation: As with all individual charitable contributions over \$250, a receipt is required from the charitable organization. Therefore, if airfare of \$500 was paid by you to participate in a mission trip, the airfare is deductible with a receipt from the charitable organization stating that you incurred the cost of airfare in providing services for their organization.

In summary, with certain limitations, auto expenses, clothing, conference costs and travel expenses are deductible.

Unallowable Expenses

You cannot deduct as a charitable contribution:

1. Contributions to individuals, including
 - Contributions to people in need, including contributions

- made to a qualified nonprofit for the benefit of a specific person in need.

- Payments to a member of the clergy
- Expenses you paid on behalf of another person who provided services to a qualified organization. In other words, if you paid the expenses for your son to go on a mission trip, you cannot claim a deduction

2. The value of your time or services,
3. Your personal expenses, such as
 - Cost of meals while you perform services, unless you are away from home
 - Cost of childcare during the time you were volunteering
4. Appraisal fees
5. Certain contributions of partial interests in property
6. Contributions from which you benefit, such as
 - Dues to fraternal orders or similar groups
 - Costs of raffles, bingo, lottery, etc.
 - Tuition payments for your children to attend a private nonprofit school

Sometimes you may feel like the IRS is out for blood. In fact they specifically state in their publications that the value of your blood, whether given to the IRS or the Red Cross, is not a charitable deduction.

As you can see from this article, the deduction of charitable contributions, like every other part of the Internal Revenue Code, is not simple and clear cut. We suggest you consult your accountant prior to claiming the deductibility of expenses made by your volunteers.

CHARITABLE CONTRIBUTION CHECKLIST

The following checklist should be used as a guideline for deductions available to volunteers of exempt organizations.

- Auto (gas, oil, parking, tolls, mileage at 14 cent per mile in 2001)
- Uniforms (cost, dry cleaning)
- Conferences and training costs (registration fees, course materials, travel costs)
- Travel (airfare, taxi fare, rental car, meals, hotel, parking, tolls, gratuities)
- Communications (long-distance calls, cellular phone calls, faxes, postage, printing, envelopes, mailing supplies)
- Publicity (cost of film, film development, poster boards, printing, writing supplies)
- Supplies (medical supplies, craft supplies, construction supplies, tools)
- Participation fees (Immunization fees, cost of background checks, passport and visa costs, language tapes)
- Activity fees (admission to museums, parks, zoo, cultural/educational activities)
- Teaching (books, maps, charts, instructional training needed to teach)
- Computer expenses (related expenses such as toner, paper, labels and internet fees all allocated for use with the charitable organization)
- Use of your property given to nonprofit organization limited to out-of-pocket expenses (actual cost of fuel, oil, windshield fluid, etc. incurred by lending your car)
- Donation of food and clothing limited to fair value of articles given
- Purchases at fundraising events such as car washes, auctions, candy sales (limited to the excess paid over fair market value)
- Forgiveness of debt (amounts loaned to a charitable organization are not required to be repaid)

It is our belief that the above information was correct and accurate at the time this checklist was prepared. However, tax laws and the publications describing them are often subject to interpretation. If you have any questions, please contact one of the following representatives at McGill, Power, Bell & Associates: John Stillwaggon (Grove City), Jim Hughes (Hermitage), Debbie Pipp (Meadville) or David Hewett (Erie).