

Volunteering: Can the Tax Man Giveth, Too?

Spending time at your favorite charity certainly is good for the soul. And with just a little more effort, it could also benefit your bottom line at tax time.

Story by S. Kay Bell

AUSTINITES ARE A GIVING GROUP, ESPECIALLY when it comes to time.

The latest study by the Corporation for National and Community Service found that 38% of Austin area residents volunteer at least 49 hours a week. That ranks us third in the nation in the giving of time and skills to nonprofit groups.

So, what do we get for our efforts?

Of course, there's the good feeling that we've helped out other Austinites. For most folks who

give time or money to a charity, that's plenty. But a little icing on the giving cake is always welcome. And that's definitely the case when you donate money or goods to a charity. If you itemize, you can deduct those gifts.

Volunteers also get some IRS breaks. However, in the grand tax scheme, giving of your time gets short shrift. The write-offs are usually smaller and they require a bit more attention to detail.



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But if you're diligent, you still can get a bit of relief on your 1040. And at tax time, every little bit helps.

What You Can and Can't Count

Let's start with the bad news.

You can't deduct the value of your time or services. If you make \$50 an hour and take an hour off work to help out at a nonprofit, that's not a \$50 tax deduction. It's just you doing something nice.

Similarly, you can't do a project for a group, such as create a brochure or set up a website, and deduct the cost of what you would have charged a paying client.

But you can deduct unreimbursed expenses that are incidental to your volunteer work. Say you spend the day with an organization helping it send out a fundraising letter. If you bought postage stamps, stationery and other office supplies to help get the letter to potential donors, you can deduct those out-of-pocket costs as a charitable gift.

Remember, though, if you're a marketing specialist and helped the group come up with a more polished plea, the time you spent crafting the message is not deductible.

Driving Toward Tax Breaks

While you can't write off your time working at the nonprofit, you do get some tax breaks in getting to the group.

Travel costs going from your home to the nonprofit site are deductible. This includes use of your car, as well as public transportation and taxi fares. So are the costs of using your car to help do your favorite charity's work, such as delivering meals to shut-ins.

For folks who've deducted business travel on their taxes, the methodology is the same. You can deduct actual automotive costs related to doing your volunteer work or you can compute your charitable driving expenses using a fixed mileage rate.

Actual expenses include gas and oil, as well as tolls and parking fees. In this case, you need to keep good records. Set your trip odometer and then be sure to write it down before you get out of the car so you don't lose the reading when you take your next non-volunteer drive. Also keep

your refueling receipts, as well as those for parking and tolls. Note, too, that insurance and depreciation on your auto are not deductible.

Most folks opt for the standard charitable mileage method. Not only can you forget about collecting those gas receipts, the tax form filing is a bit easier. And even if you do claim the standard mileage, you still get to deduct parking and toll-road fees.

Of course, you obviously still need to keep track of your travel, but you can do so by jotting down a few volunteer driving details in your pocket calendar or your personal digital assistant. The basics are: date, purpose, odometer start, odometer end, total trip mileage, additional costs (i.e., parking, tolls).

With the final mileage tally in hand, you simply multiply it by the standard charitable mileage rate of 14 cents. Compared to tax-deductible driving for other purposes - for 2007 returns, it is 48.5 cents per mile for business travel and 20 cents per mile for medical-related trips or moving - the IRS figure for charitable driving is paltry.

There are a couple of reasons for this. First, the business mileage rate, which is also the most generous, factors in other auto ownership costs, such as insurance fees and repair. Secondly, the other transportation figures are adjusted annually for inflation, while the charitable driving amount is set by statute. There have been bills offered in Congress to tie the charitable mileage rate to inflation, too, but so far without success (just in case you want to write your representative and senators).

Out-of-Town Rules

If your volunteer work requires you to travel away from home, those expenses also are deductible. This includes the transportation to the event, as well as what the IRS calls "reasonable" meal and lodging costs. What that means is Uncle Sam might question a stay at a five-star hotel and cordon bleu dining expenses.

Also, your out-of-pocket costs at a convention connected with your volunteer work are deductible only if you're the group's designated representative. You can't accompany a spouse or friend

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who is the official attendee and then write off your expenses, too.

To deduct unreimbursed volunteer-related expenses of \$250 or more that are incurred on behalf of a charity, you must get a written receipt from the organization. This is the same rule that applies to financial gifts of this amount. And the receipt must be filed with your return.

The IRS throws in one more wrinkle when it comes to a volunteer's charitable travel. You aren't supposed to deduct travel expenses as charitable gifts if there's a "significant element of personal pleasure, recreation or vacation" connected to the trip.

Wait just a minute? Aren't you giving of your time in the first place because you enjoy, at least a little bit, doing so? Well, the IRS isn't totally heartless; enjoying your volunteer work doesn't necessarily rule out a deduction. For example, a Girl Scout troop leader who takes the youngsters on a camping trip and has a very good time can still write-off the eligible associated costs.

Proof Depends Upon You

What the tax collector is trying to prevent, as with the previously noted questionable haute cuisine, is unscrupulous taxpayers taking advantage of only tangential charitable work to claim excessive deductions or write off a family trip to Six Flags. Sadly, that does happen.

It's those attempts to slip something by the tax collector that underscore why recordkeeping is critical. Remember that the basic tax rules still apply. Your volunteer work must be for a qualifying organization, which includes government agencies and organizations operated only for charitable, religious, educational, scientific or literary purposes.

And remember that it's the taxpayer who bears the burden of proof. If the IRS questions your volunteer deductions, be ready to substantiate them and show the tax examiner the connection between the costs you claimed and the volunteer work you performed. If you haven't already set up a tax recordkeeping system, do so now and include a section for your volunteer-related canceled checks, receipts and travel logs. ★

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