



VOLUNTEER DRIVER MILEAGE REIMBURSEMENT SERVICE

BUSINESS CONSIDERATIONS

How to Establish a Mileage Reimbursement Rate

There are several variables to consider when establishing the mileage rate for payments of mileage reimbursement for your program volunteers.

1. Whatever rate is set **MUST** be less than the current Internal Revenue Service “Standard Rate” if payments are to be income tax exempt for the recipient of the payment.
2. If the reimbursement rate is less than the IRS Standard Rate **AND** the other requirements of having a qualified mileage reimbursement plan are met (including timely reporting of the travel mileage and purposes of travel for which the request for reimbursement is made), then the issuance of a 1099 to the recipient should not be issued. [If the amount of the mileage reimbursement exceeds the IRS Standard Rate then in effect, at minimum a 1099 must be issued to the recipient for the difference between the Standard Rate and the amount of the rate that is paid. If the other requirements of an IRS qualified mileage reimbursement plan have not been met a 1099 would be required for the full amount of the payments made.] *Refer to Internal Revenue Service for additional information on this topic.*
3. Another consideration should be how much do you need to pay? Clearly, the rate of reimbursement has to be high enough to motivate volunteerism of friends and neighbors to provide transportation for your program’s riders. Still, if the rate paid is higher than what is needed to get drivers to volunteer, the additional dollars that are being paid will not be able to be used to support more volunteer transportation or a greater number of riders who can receive the service. The best idea is to start low and raise the rate only after receiving feedback that rider recruitment of volunteer drivers is inhibited by the rate that is being paid. [Caution: do not rely on the opinion of only a few riders. No matter what rate is set, some volunteers might complain to riders that it isn’t enough. It is also best to filter feedback through riders, instead of getting the opinion of volunteer drivers directly, who will always say they want more! Volunteerism should never be about the money or it is not really volunteerism and, unless there are huge resources, can break the bank.] Our advice is to start with a mileage reimbursement rate of thirty cents or so and increase it only as necessary to encourage stable and consistent volunteer driving behavior.
4. Rider should be, at least subtly, advised that mileage reimbursement rates can change dependent on the availability of funding for the program, or words to that effect. Although a best effort is made to accurately forecast and budget for funds needed to support a service throughout an established grant or planning period unforeseen increases in rider demand can occur. If needed, adjustment of the rate of reimbursement can be used as a relief valve to slow down the use of funds if needed.

See also “Who Should Receive Mileage Reimbursements? Driver or Rider to be given to Driver?”