

March 22, 2021

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 1716 (Koegel) / S.F. 1766 (Howe)

	Fund Impact			
	<u>F.Y. 2022</u>	<u>F.Y. 2023</u>	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>
		(000's)		
General Fund	(\$30)	(\$30)	(\$30)	(\$30)

Effective beginning with tax year 2021.

EXPLANATION OF THE BILL

Current Law: Under Federal and state law, volunteer drivers may exclude from income any mileage reimbursement payments received from charitable organizations, up to 14 cents per mile. Mileage reimbursements above that rate must be reported as income.

Proposed Law: The bill would allow a subtraction for mileage reimbursements paid by a charitable organization to a volunteer driver. The subtraction is limited to the reimbursement that is over 14 cents per mile but not over the standard mileage rate (56 cents in tax year 2021).

REVENUE ANALYSIS DETAIL

- The estimate is based on information from the Volunteer Driver Coalition and a survey from the Metropolitan Area Agency on Aging.
- The Volunteer Driver Coalition estimates there are about 2,000 volunteer drivers in Minnesota.
- A survey from the Metropolitan Area Agency on Aging was used to identify the number of volunteer drivers, the average reimbursement rate, and the average miles driven in 2018.
- Drivers who drove more than 5,000 miles were assumed to be paid employees ineligible for the subtraction.
- Volunteers reimbursed at 14 cents per mile are ineligible for the subtraction. From the survey, it is estimated about 910 volunteer drivers would be eligible for the subtraction. Of those eligible, the average reimbursement was 51 cents per mile. The average amount eligible for the subtraction would be 37 cents per mile. The average miles driven was 941 miles.
- The estimate was increased by 50% to account for drivers not included in the survey.
- A marginal tax rate of 6.5% is assumed.
- The subtraction is assumed to grow at 0.6% a year based on projected population growth from the Minnesota State Demographic Center.
- Tax year impacts were allocated to the following fiscal year.

REVENUE ANALYSIS DETAIL (Cont.)

Number of Taxpayers: About 1,400 taxpayers in tax year 2021. The average reduction in tax would be approximately \$25.

Minnesota Department of Revenue
Tax Research Division
[https://www.revenue.state.mn.us/
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hf1716(sf1766)_1 volunteer driver subtraction / ct