

INTERNAL REVENUE SERVICE

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CC:ITA:B02:EBCleverdon
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The Honorable David Obey
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Obey:

This letter responds to your inquiry dated June 21, 2005, on behalf of your constituent . wrote that mileage reimbursements he receives when he volunteers as a driver for a charitable organization are taxable to the extent the reimbursement exceeds 14 cents per mile. I hope the following general information is helpful:

Under the tax laws, generally can exclude from income only those reimbursements that cover expenses he can otherwise deduct. A charitable contribution deduction is allowed for the out-of-pocket expenses of using an automobile, such as gas and oil, to perform donated services. However, such fixed costs as depreciation, lease payments, insurance, maintenance and repairs, and license and registration fees generally may not be deducted as charitable contributions. When an individual uses an automobile for business purposes, however, the law treats these fixed costs as deductible business expenses.

The mileage rate for the charitable use of a passenger automobile is 14 cents per mile, up from 12 cents per mile before 1998. This rate, set by the Congress, is designed to reflect only the expenses that are deductible as charitable contributions, and therefore it is lower than the business standard mileage rate, which reflects the fixed costs mentioned above.

Again, I hope this information is helpful. If you have any additional questions, please contact me or , Identification Number , at

Sincerely,

Robert M. Brown
Associate Chief Counsel
(Income Tax and Accounting)