

Tax Benefits for Volunteers?

By Stephen McCurley

During the past few years interest has increased in a tax benefit for the value of time donated by volunteers. In the 95th Congress, a number of bills to establish a volunteer-time tax benefit have been introduced in the House of Representatives:

HR1363—Walsh (N.Y.)

Deduction for volunteer services performed in VA hospitals. Amount of deduction would be computed by multiplying the number of hours served times either \$2.00 or the minimum wage for that type of work, whichever is greater. Maximum deduction allowed would be \$2,500 per year.

HR1364—Walsh (N.Y.)

Deduction for volunteer services performed by those 65 and older. Services must be performed for a qualified charitable organization. Deduction would be computed according to hours of service times \$2.00, or the hourly minimum wage for such service, whichever is greater. No maximum limit on allowable deduction.

HR1634—Carney (Ohio)

Deduction for volunteer services performed for a federal, state or local government agency. Deduction would be computed by hours of service times \$2.00. Maximum deduction of \$2,000 per year.

HR1861—McKinney (Conn.)

Tax credit for volunteer services in any organization engaged in the treatment, care or rehabilitation of the physically handicapped or mentally ill. Credit would be computed by multiplying the number of hours served times \$2.00 (or applicable minimum wage for type of services performed) times 70%. Minimum of 50 hours of service necessary to qualify for the credit. Maximum credit of \$750 per year.

State legislatures also have shown an interest in the concept. In 1976, for example, the New York Legislature considered a bill to provide a maximum \$500 deduction for services contributed to charitable groups. So far, none of the bills in either state or federal legislatures have come significantly close to passage.

THE PROS

Three general arguments can be advanced for providing a benefit for donation of volunteer time:

1. **It would enhance volunteer recognition.** In congressional hearings in 1973, Rep. Lindy Boggs of Louisiana said, "This giant step forward in equalizing the tax structure would give added status and security to the professional service volunteer and it would lift the standards of the participating agencies." In effect, such a tax benefit would confer legitimacy by providing indirect compensation that elevates "volunteer" work to "paid" work.
2. **It would aid volunteer recruitment and retention.** Potential volunteers might be motivated even more to offer service and to remain with their charitable group if they obtained this substantial benefit. A tax benefit would appeal to those who otherwise might be forced to look for a paying job, or to those who philosophically might want some form of compensation for their services.
3. **It would create equity between contributions by rich and poor.** Traditionally, the rich have made charitable contributions through the provision of monetary donations and bequests. The poor have given through service. A tax benefit for volunteer time would equalize the tax treatment of the two groups.

THE CONS

Three arguments can be made against a tax benefit for volunteer time:

1. **It would be contrary to the spirit of volunteerism.** In effect, opponents argue, a tax benefit is nothing more than commercialization of volunteering. The National Advisory Council on Voluntary Action to the Government of Canada concluded in 1977 that "this approach runs counter to the very nature of voluntary action." Payments for service, whether direct wage payments or indirect tax payments, eliminate the "volunteer" aspect of the service.
2. **It would foster government encroachment into voluntary operations.** Sam Brown, director of the federal volunteer agency ACTION, commented recently in a memorandum to Vice President Mondale that "... today's positive outlook of volunteer administrators would soon be replaced with revulsion, if recent educational history is any guide. There is a rising chorus of opposition to the federally imposed paperwork and controls which are attached to federal aid. When voluntary agencies,

which are typically less well-organized than colleges and universities, discover they have to keep daily records of the hours served by every volunteer while remembering that only certain kinds of volunteer work are eligible for tax credits, the reaction will probably be similar to that of higher education."

3. **It would distort the pattern of volunteering.** Individuals would be more inclined to work for those organizations eligible for tax benefits. As Gordon Manser noted at an NCVA Conference on Legislation in 1975, "... there would be a serious competitive disadvantage for those agencies who did not offer the deduction to their volunteers."

THE QUESTIONS

As is evident from the above arguments, proponents of each side must make value judgments; there is no definite "good" or "bad" side—merely trade-offs of advantages and disadvantages.

What is certain, however, are the serious questions that remain to be worked out in the creation of any tax benefit bill. These include:

- **Credit or deduction.** Should the tax benefit be a tax credit or a tax deduction? In general, tax credits would benefit a larger portion of the population. Tax deductions tend to be utilized only by those in relatively higher income brackets. This would change, of course, if current attempts to change the tax code to allow taxpayers to take both the standard and charitable deductions are successful.
- **Organizational eligibility.** Should all tax-exempt organizations be eligible or should benefits be restricted? Who will certify eligibility and check for violations? The potential detriment to organizations not qualifying is so great under this type of legislation that there is strong incentive to illegally qualify. The Walsh bill listed above, for example, would be very restrictive, limited to volunteers serving only with the Veterans Administration.
- **Allowable activities.** Should there be any restrictions as to the types of activities for which the benefit will be conferred? The McKinney bill currently under consideration would restrict the benefit to services related to the treatment of the handicapped. What about a broader restriction to those volunteers actually involved in service delivery? Should one include fundraising or lobbying volunteers?

● **Value of time.** What dollar value should be attributed to a volunteer's time? The minimum wage figure used in the Walsh and McKinney bills? The \$4.86 per hour computed by Dr. Harold Wolozin as volunteers' contribution to the GNP? What about volunteers with special skills? As Gordon Manser notes: "There is an inherent dilemma in the valuation of time for volunteers. Either everyone's time is valued the same for the purposes of arriving at a deductible amount, which may be unrealistic (for example, the physician who donates his time in a clinic as compared to my high school son, who volunteered to stuff and seal envelopes), or a volunteer's time is valued by the importance of the contribution, or its market value, which is impossible."

● **Minimum service requirement.** Should a volunteer be required to work a minimum number of hours before becoming eligible for the benefit? The McKinney bill, for example, would require 50 hours of service to achieve eligibility. Would this encourage or discourage volunteers?

● **Recording requirements.** Some of the major questions in this issue revolve around record-keeping. Who must maintain records, and what kind? Can voluntary organizations afford to keep detailed records, or do they already keep such records for insurance or funding purposes? Was the Canadian Advisory Council correct when it concluded that "... the system of accounting to the government for such time would be an administrative nightmare ...?"

THE ANSWERS?

NCVA is interested in the potential of a tax benefit for volunteers. We'd like your input on both the general idea and the specifics of such a benefit. Would it be worth it to you and your organization? How can we get the best results with the fewest problems? Is it really volunteering anymore?