

April 7, 2025

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue

Analysis of S.F. 3189 (Nelson), As Proposed to be Amended (SCS3189A-2)

	Fund Impact			
	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>	<u>F.Y. 2028</u>	<u>F.Y. 2029</u>
	(000's)			
General Fund	(\$100)	(\$100)	(\$100)	(\$100)

Effective beginning with tax year 2025.

EXPLANATION OF THE BILL

Current Law: A taxpayer may claim a subtraction for the mileage reimbursement received from a charitable organization for being a volunteer driver. An individual is eligible for the subtraction to the extent that the reimbursement is more than the federal mileage rate for charitable services, but less than the federal mileage rate for businesses. In tax year 2025, these rates are 14 cents and 70 cents for charitable services and businesses, respectively.

Proposed Law: The bill would increase the subtraction to \$2 per mile, minus the amount of mileage reimbursement paid by the charitable organization.

The per-mile amount would be indexed for inflation starting in tax year 2026. As proposed to be amended, the indexed amount would be rounded down to the nearest cent.

For example, a driver receives reimbursement of 60 cents per mile for one hundred miles.

- Under current law, the subtraction would be: $\$0.60 - \$0.14 = \$0.46 * 100 \text{ miles} = \46 .
- Under the proposal, the subtraction would be: $\$2.00 - \$0.60 = \$1.40 * 100 \text{ miles} = \140 .

REVENUE ANALYSIS DETAIL

- The estimate is based on individual income tax returns filed for tax year 2023.
- In tax year 2023, a total of \$428,400 in volunteer driver subtractions were claimed on 1,060 returns.
- Because each charitable organization can choose their own reimbursement rate, an average rate of 50 cents per mile was assumed. Based on this assumption, the average miles driven in tax year 2023 would have been 1,124.
- The average subtraction would increase from about \$405 to \$1,686.
- A marginal tax rate of 6.5% is assumed.
- The subtraction is assumed to grow based on a combination of population growth and inflation.
- The estimate was increased by 5% to account for potential increased participation.
- Tax year impacts were allocated to the following fiscal year.

REVENUE ANALYSIS DETAIL (Cont.)

Number of Taxpayers: About 1,100 returns will benefit from the subtraction in 2025.

Minnesota Department of Revenue
Tax Research Division
[https://www.revenue.state.mn.us/
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