

**TESTIMONY OF**  
**MICHAEL J. ALLEN, ASSOCIATE COMMISSIONER FOR TAX POLICY**  
**DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES**

Before the Joint Standing Committee on Taxation  
Hearing Date: *April 15, 2025*

LD 1520 – “*An Act to Reduce the Income Tax Paid by Volunteers for Mileage Reimbursements*”

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Senator Grohoski, Representative Cloutier, and members of the Taxation Committee – good afternoon, my name is Michael Allen, Associate Commissioner for Tax Policy in the Department of Administrative and Financial Services. I am testifying at the request of the Administration Against LD 1520, “*An Act to Reduce the Income Tax Paid by Volunteers for Mileage Reimbursements*.”

For tax years beginning on or after January 1, 2026, to the extent included in federal adjusted gross income, this bill proposes an income subtraction modification to exempt from Maine income tax any amount received as reimbursement for miles driven in service of a charitable organization that is above the amount the taxpayer would be eligible for if the miles were driven for business purposes determined using the federal standard reimbursement rate for miles driven for business purposes, as applicable to that tax year.

Currently, Maine conforms to federal tax treatment of mileage reimbursements. To the extent the reimbursement received is included in federal adjusted gross income, certain taxpayers claiming itemized deductions may be able to reduce taxable income by the amount of miles driven in service of a charitable organization multiplied by the standard mileage rate or the amount paid for gas and oil, plus the cost of parking and toll fees. For tax year 2025, the federal standard mileage rate for charitable use is equal to 14¢/mile (70¢/mile for business use).

In 2021, Minnesota enacted legislation that mirrors the provisions outlined in this bill. The Minnesota Tax Expenditure report estimates an annual revenue loss of less than \$50,000. Consideration should be given to whether the additional complexity of adding another modification is worth the marginal tax benefit for a small number of taxpayers. Similar to other conformity issues, the complexity caused by deviating from the federal tax treatment of mileage reimbursements would negatively impact both taxpayers and the State and, as such, should be weighed against any benefits of that deviation.

The Administration notes the following technical concerns:

- The intent of the bill is unclear. The bill language contains a conflict with the Summary of the bill. To the extent included in federal adjusted gross income, the bill language *exempts from Maine tax* the amount of reimbursement received by the taxpayer for miles driven in service of a charitable organization, that exceeds the amount of the federal deduction the taxpayer would be eligible for if the miles were driven for business purposes. However, the bill Summary states that the amount of the reimbursement received that exceeds the federal business deduction *is subject to tax* in this State.
- If the intent of the bill is to exempt from Maine income tax the difference between the federal standard mileage reimbursement for miles driven for business purposes and the rate for miles driven for charitable purposes (70¢/mile minus 14¢/mile), the bill should be amended.
- Unlike federal tax treatment, the subtraction would be available to taxpayers who do not itemize their deductions. If the intent is to align more closely with federal tax treatment, the deduction should be located in Title 36, Section 5125.

- The bill contains some terms that should be defined, including “charitable organization” and “standard mileage rate.”

The preliminary fiscal impact estimate, if the technical issues are addressed, is a negligible revenue loss.

The preliminary estimated administrative costs are under review. One-time computer programming and related system testing costs would be required to add an additional line to Form 1040ME, Schedule 1S to accommodate the income subtraction modification. Additionally, a worksheet will need to be developed to calculate the allowable deduction.

The Administration looks forward to working with the Committee on the bill; representatives from MRS will be here for the Work Session to provide additional information and respond in detail to the Committee’s questions.