

**Tax and volunteering: empirical evidence to support
recommendations to solve the current problems
surrounding the tax treatment of volunteers'
reimbursements and honoraria in New Zealand**

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Abstract

On 1 November 2007 the Minister of Finance and the Minister of Revenue asked for submissions on ways to simplify the current law on the taxation of reimbursement and honoraria paid volunteers in the non-profit sector. A number of proposals were outlined in an Inland Revenue Department issues paper released on 1 November.

This working paper presents the results of a survey of 1537 individuals and 224 organisations who replied to a web based questionnaire that was conducted in August and September 2007. The results have been used to support a number of recommendations towards simplification and clarification of current tax law.

Contents

List of tables and flowcharts	5
List of charts	5
1.0 Introduction	7
1.1 Background	8
2.0 Literature review	10
2.1 Defining volunteers and the non-profit sector	10
2.2 Research on the volunteers in the voluntary sector	14
3.0 Taxation on reimbursements and honoraria	17
3.1 Problems with the current taxation rules	17
3.2 The current law on reimbursements	19
3.3 The current law on honoraria	20
3.4 The test for determining who is an employee for tax purposes	20
3.5 The implications of complying with the current law	23
3.6 Inland Revenue Practice	23
3.7 Case study example	25
4.0 Study methodology	28
4.1 Volunteering New Zealand and collaboration with the sector	30
4.2 Questionnaire design and pre-test	30
4.2.1 The cost of volunteering in the Australian Emergency Management Sector	
4.2.2 Designing the questionnaire	
4.3 Sampling strategy	33
4.4 Survey implementation	35
5.0 A profile of volunteers	36
5.1 Number of organisations voluntary work undertaken for	37
5.2 Age and gender	37
5.3 Income and employment status	38
5.4 Sector of volunteer organisation	39
5.5 Geographical Location of volunteers	41
5.6 Limitations	42
6.0 Volunteering activity	43
6.1 Frequency of volunteering	43
6.2 Use of transport	44
6.3 Distances travelled	46

7.0	The costs of volunteering	48
7.1	Travel related costs	49
7.2	Non-travel related costs	50
7.3	Reimbursements	52
7.3.1	Reimbursements for travel costs	
7.3.2	Reimbursements for non-travel costs	
7.3.3	Honoraria	
8.0	Costs and the behaviour of volunteering	57
8.1	Factor inhibiting volunteering	57
8.2	Impact of costs on volunteering	59
9.0	A profile of volunteer organisations	60
9.1	Sector	60
9.2	Number of volunteers	61
10.0	Volunteers' travel and non-travel contributions	62
11.0	Reimbursements from organisations	63
11.1	Reimbursements for travel-related costs	63
11.2	Reimbursements for non-travel related costs	64
12.0	Impact of costs on the organisations	65
13.0	Conclusion and summary	67
13.1	Summary of all identified costs and reimbursements	67
13.2	Discussion	67
13.3	Strategies for improving the current tax treatment of reimbursements and honoraria	70
13.3.1	Defining a 'volunteer'	
13.3.2	Tax exempt volunteer payment	
13.3.2	Statutory threshold for reimbursements	
13.4	Conclusion	74
14.0	Appendices	75
15.0	References	78

Tables and flowcharts

Flowchart 1	Tax obligations on volunteer organisations
Flowchart 2	Tax obligations on individual volunteers
Table 1	Net reply on survey questionnaire
Table 2	Number of employees in NPI by activity group
Table 3	Contribution of NPI (%) by activity group
Table 4	Most common items of expenditure
Table 5	The weighted – average cost of non-travel expenditures for the past 6 months
Table 6	Summary of methods for reimbursing volunteers
Table 7	Number of organisations according to sector

Charts

Chart 1	Replies to “do you volunteer for more than one organisation?”
Chart 2	Age Distribution of respondents
Chart 3	Gender profiles of respondents
Chart 4	Income Distribution of respondents
Chart 5	Employment status of Respondents
Chart 6	Sector distribution of respondents
Chart 7	Geographical distribution of respondents
Chart 8	Average number of hours per week spent on volunteering
Chart 9	Use of private vehicle
Chart 10	Reasons for using private vehicle
Chart 11	Use of public transport
Chart 12	Travel distances per journey to and from volunteering activities
Chart 13	Travel distances per journey as part of volunteering activities
Chart 14	Distances travelled (less than 50kms on average per journey)
Chart 15	Distances travelled (more than 50kms on average per journey)
Chart 16	Cost of using own car or vehicle
Chart 17	Cost of using public transport
Chart 18 activities	Use of personal resources and/or equipment to carry out volunteering

Chart 19	Availability of reimbursement on travel costs
Chart 20	Reimbursement for public transport costs
Chart 21	Methods of reimbursing travel costs
Chart 22	Methods of reimbursing public transport cost
Chart 23	Reimbursements for non-travel related costs (excluding honorarium)
Chart 24	Types of reimbursements for non-travel related costs
Chart 25	Honoraria payments received
Chart 26	Amount of honoraria
Chart 27	Honoraria and cost
Chart 28	Factors inhibiting further volunteering
Chart 29	Impact of costs on volunteering
Chart 30	Number of volunteers per organisation over the last 12 months
Chart 31	The use of volunteers' private vehicle
Chart 32	Reasons for the use of volunteers' private vehicle
Chart 33	Organisations reimbursing for travel related costs
Chart 34	Types of travel costs reimbursed travel related costs
Chart 35	Organisations reimbursing for non-travel related costs
Chart 36	Likelihood of items being reimbursed
Chart 37	Impact of costs on volunteer organisation
Chart 38	Percentage of volunteers stopping due to costs

1.0 Introduction

Volunteers make a vital contribution to society. For example, Statistics New Zealand recently reported that the generosity of over one million (1,011,600) volunteers resulted in more than 270 million hours of unpaid labour to non-profit institutions in 2004. This input, similar to the contribution of the entire construction industry,¹ is required on an ongoing basis.

Internationally, the reduction in government-provided social services combined with rising social needs has entailed more frequent contracting of non-profit organisations, leading to a focus on how to attract and retain volunteers to deliver and support these services.² Volunteers also contribute to areas where government assistance is not possible or not practical, through religious and sports organisations, cultural bodies and social interest groups. Through individuals' active participation in community organisations, their volunteering and their charitable giving, social capital can be measured in democratic societies.³

A number of studies internationally have sought to explain what motivates volunteers to begin their association with a voluntary organisation and how they can be supported to continue.⁴ As would be expected, volunteers' motivations are as heterogeneous as the organisations for which they volunteer.

In New Zealand, the government is committed to improving the current tax treatment of the voluntary sector. For example, the previous limitation on donations to charitable organisations has been lifted with effect from 1 April 2008.⁵ However, the current law on the taxation of reimbursement payments and honoraria paid to volunteers is subject to considerable uncertainty and confusion. The government has signalled it seeks to resolve this ambiguity through a package of reforms which are designed to assist this sector.

On 26 October, 2006 the Minister of Revenue announced that a paper would be released on a number of possible solutions to the long standing problem of taxing

¹ Statistics New Zealand (2007c). 1,011,600 people represents 31% of New Zealand's population.

² Reed and Selbee (2001); Submission by Philanthropy New Zealand to the Tax Review, 2001. Available online at: <http://www.rtreasury.govt.nz/taxreview2001/Subs1/PhilanthropyNewZealand.pdf>.

³ Putnam (1995).

⁴ For example, Reed and Selbee (2001) provide a summary of major North American studies.

⁵ The previous cap on donations made by an individual was \$1,890 and for companies it was capped at 5%. In addition a payroll giving scheme is being investigated.

honoraria and volunteer reimbursements⁶. On 1 November 2007, an issues paper “*The tax treatment of honoraria and reimbursements paid to volunteers*” (the IP) was released.⁷

The purpose of this research is to identify the magnitude of out-of-pocket expenses of volunteers in order to respond to the invitation in the IP to make a submission on the range of options raised in the IP. The recommendations are based on a nation-wide survey on volunteers’ expenses and reimbursement. The data was collected via a survey carried out during August 2007 to September 2007 in collaboration with Volunteering New Zealand (VNZ) and supported by many other non-profit organisations such as the Cancer Society, SPARC (Sports and Recreation New Zealand), and St. Johns Ambulance Society.

The paper also examines the current income tax treatment of volunteers and their reimbursement, highlighting the current ambiguities and uncertainty surrounding the tax treatment which has imposed a significant deadweight compliance cost on the sector. This research fills a vital information gap identified in the IP by quantifying the direct costs borne by volunteers in their volunteering activity in New Zealand and, by analysing current policies, recommending the development of better tax policy to support voluntary organisations and their volunteers.

1.1 Background

In October 2006, the New Zealand Government released a discussion document, “*Tax incentives for giving to charities and other non-profit organisations*” outlining possible tax incentives to encourage charitable giving of money, skills and time. The document canvassed the increase of charitable donation rebates and deductions, recognising the value of volunteer’s time through a rebate or alternatively by providing grants directly to the non-profit organisation, and amending the Income Tax Act in relation to volunteers’ reimbursement and honoraria.⁸

The Budget 2007 extended the tax concessions in relation to current charitable donations, by lifting the cap on personal deductions and increasing the deductibility of

⁶ The details were outlined by the Minister of Revenue the Hon Peter Dunn in a Speech to the Association of Development and Alumni Professionals in Education Conference on 26 October 2006. Details can be found online at: <http://www.taxpolicy.ird.govt.nz/index.php?view=553>.

⁷ “*The tax treatment of honoraria and reimbursements paid to volunteers*” is published at www.taxpolicy.ird.govt.nz and was released on 1 November. Public submissions were required to be lodged by 14 December 2007

⁸ Inland Revenue Policy Advice Division (2006).

charitable donations to companies. While proposed tax rebates have been considered on both sides of the Tasman as governments seek to sustain a volunteer and giving culture, Sha Cordingley, CEO of Volunteering Australia noted that volunteers are not concerned about payment but about reimbursement for the sometimes substantial costs they incur in the course of providing volunteer services.⁹ Recent petrol price increases and the cost to volunteers of maintaining uniforms and equipment, for example, may prove to be a serious impediment to the sustainability of volunteers. Tim Burns, Executive Director of Volunteering New Zealand, agreed, urging the New Zealand government to issue new policies on reimbursing volunteers for expenses they incur, rather than instituting a tax rebate for volunteering hours.¹⁰

As yet, no tax solution has been introduced on possible reimbursement policies. However, a revised discussion document was released on November 1st, 2007 which outlines a number of possible solutions to the long-standing uncertainty over the correct taxation treatment of honoraria and volunteer reimbursement. The IP sought feedback on a number of suggestions for clarifying the current law.¹¹ The findings in this research project which asked volunteers and voluntary organisations to quantify their expenses and reimbursements, as well as honoraria received and paid, will assist policy makers formulate options for this reform.

The research was motivated by the lack of statistical data to assist in identifying the financial costs and the reimbursements associated with volunteering across all sectors in New Zealand. This study attempts to answer the following questions:

1. *What are the current income tax issues in relation to volunteer reimbursements and honoraria?*
2. *What are the financial costs associated with volunteering?*
3. *What proportion of volunteers is reimbursed and how are they being reimbursed?*
4. *Are reimbursements (monetary and non-monetary) covering volunteers' costs?*
5. *How do out-of-pocket expenses affect an individual ability to volunteer or to volunteer more?*

⁹ Volunteering New Zealand (2006).

¹⁰ Ibid.

¹¹ Inland Revenue Policy Advice Division (2007c).

The answers to these five questions will support recommendations on the following two options considered in the IP, namely:

1. should all reimbursement payments constitute exempt income in the hands of a volunteer?, and
2. should all honoraria up to a threshold be treated as exempt income?

2.0 Literature Review

To gain an understanding of the financial expenses associated with volunteering, the study will first provide a definition of volunteering, volunteers and formal voluntary organisations. The literature review also discusses overseas research conducted on the costs of volunteering. The current tax treatment on reimbursements and honoraria paid to volunteers are considered in section 3.

2.1 Defining volunteers and the non-profit sector

Volunteers

The term “volunteer” is general, rather than conveying specific information. It is typically used to mean a person who chooses to work for the good of the community or public benefit. Many different activities and situations are included in this concept¹² and little systematic work that has been carried out to define *volunteer* in a rigorous and precise manner. Volunteering Australia describe volunteers as “people who offer their time, talent and energy to others and to their communities through individual and collective action, without expectation of financial reward.”¹³ The Australian Bureau of Statistics defines a volunteer as “a person willingly giving unpaid help in the form of time, service or skills, for or through an *organisational group*”.¹⁴ A more extensive definition has been adopted by the United States of America Department of Labour which considers volunteers as individuals who:

1. Perform hours of service for a public agency for civic, charitable, or humanitarian reasons, without promise, expectation, or receipt of compensation for services rendered; although a volunteer can be paid expenses, reasonable benefits, or a nominal fee to perform such services;

¹² Cnaan, Handy and Wadsworth (1996); Scheier (1980); Smith (1994); Tremper, Seidman, and Tufts (1994); Vineyard (1993).

¹³ Volunteering Australia (2003).

¹⁴ Australian Bureau of Statistics (2000).

2. Offer services freely and without pressure or coercion; and
3. Are not otherwise employed by the same public agency to perform the same type of services as those for which the individual proposes to volunteer.¹⁵

In New Zealand, the only specific legislation defining a volunteer is the Health and Safety in Employment Act 1992. It defines a volunteer as a person that does not expect to be rewarded for work to be performed as a volunteer; receives no reward for the work performed as a volunteer; and is receiving training and/or gaining work experience.¹⁶

Although cultural and local attitudes toward volunteering differ, conceptual and empirical analysis suggests that the public defines the term *volunteer* based on their perception of the net cost to the volunteer. Net costs are the total cost minus total benefits (monetary or otherwise) to the volunteer.¹⁷

The term “volunteering” is also entrenched in class-based and cultural assumptions that can cause under-reporting, especially when it is limited to volunteering for formal organisations. Lemon et al. argue that people who participate in formal volunteering tend to occupy a “dominant status” position (they may be male, have higher income, be from a dominant ethnic group, and/or have a high level of education). Other authors have identified correlations between people with a “dominant status” position and involvement in formal volunteering.¹⁸ Hence, Smith suggests that “people from lower socio-economic groups are failing to recognise their activities in the community as volunteering, seeing them instead as example of informal caring and neighbourliness.”¹⁹ People who do not fit the “dominant status” model volunteer, but are more likely to do so outside the structures of traditional formal volunteering.

All of these definitions have common themes and for the purposes of this research, *volunteer* is defined as:

A person who does work or activities out of their own free will for the benefit of others (beyond the immediate family) for no payment other than, in some cases, a small honorarium, and/or expenses.²⁰

¹⁵ Jenner and Block, *Labour & Employment practice* (2005); Handy, Cnaan, Brudney, Ascoli, Meis and Ranade (2000); Cnaan and Amroffell (1994); Cnaan, Handy, and Wadsworth (1996).

¹⁶ See fact sheet 10 – Health and Safety, available at: <http://www.keepingitlegal.net.nz/learn-more/health-and-safety/>

¹⁷ Handy, et al. (2000).

¹⁸ Lemon, Palisi and Jacobsen (1972).

¹⁹ Smith, (1994).

²⁰ Gaskin and Smith (1997).

This definition acknowledges that a number of volunteers purchase goods or services to carry out their volunteering activities and may who receive reimbursement for these. They may also receive an honorarium as a token of appreciation for services rendered. This definition also considers volunteering within formal organisations in the not-for-profit sector only.

Even when volunteering is recognised, the literature does not delineate different types of volunteers. It does not differentiate between the volunteer who mows the lawn at the *marae*, the one who delivers meals-on wheels and the one who referees for his son's football match, whereas in the for-profit sector, classifications of various aspects of employment are made. Such a lack of clarification makes it difficult to generalise from different studies on volunteers, measure with any accuracy the incidence of volunteering, or make policy recommendations.²¹

The not-for-profit sector

The not-for-profit sector is also not uniformly defined. It is also commonly referred to as the “voluntary sector” or the “third sector”. Whelan describes this sector as “neither politics nor commerce”.²² Others would extend the argument and assert that the volunteering sector should share no characteristics or activities with either of the other two sectors.²³ However, as Government contracts with not-for-profit organisations and the for-profit sectors introduces voluntary programs for a wider commercial objective, it is argued that instead, the sectors overlap.

In New Zealand, recent work to define the sector has used Salmon and Anheier's structural/operational definition of the not-for-profit sector.²⁴ This definition was developed by the Johns Hopkins Comparative Nonprofit Sector Project for the International Classification of Nonprofit Organisations and will be used in this research. The “voluntary sector” is thus defined as a collection of organisations that are:

- Organised to the extent that they can be separately identified
- Not-for-profit and do not distribute any surplus they may generate to those who own or control them
- Institutionally separated from government

²¹ Handy, et al. (2000).

²² Whelan (1999).

²³ Blackmore, NCVO Policy Team, (2004), 15.

²⁴ Salamon and Anheier (1992).

- In control of their own destiny, and
- Non-compulsory, in both terms of membership and members' input.

This definition focuses on the formal sector, where more visible volunteering takes place within voluntary organisations. It excludes informal volunteering and volunteering for government or private-for-profit organisations.

The voluntary sector in New Zealand is diverse. These institutions vary in size and structure from large corporate national organisations with hundreds of (paid) staff and large budgets, to small volunteer-based organisations operating as collectives and running on very small budgets.²⁵ They also operate in a variety of arena ranging from sports to social services, to arts and culture and *whanau*, *hapu* or *iwi*-based organisations.

One of the challenges in defining New Zealand's voluntary sector arises from different concepts in Pakeha and Maori culture.²⁶ Volunteering and voluntary sector are essentially Pakeha concepts, as in Maori society, it is not a commonly used term. In many Maori institutions such as marae-based organisations, contributions are not considered voluntary in the sense of being 'self chosen' or serving 'others' and are bound up in concepts of *mana* and *rangatiratanga* rather than as a personal activity.²⁷ The 2006 National Census shows that a higher proportion of Maori than Pakeha or Pacific people ticked 'other helping or voluntary work for or through any organisation, group or marae'.²⁸ Although this signifies high levels of volunteering amongst Maori, research suggests that the lack of a direct equivalent term "volunteering" in Te Reo Maori means that voluntary work by Maori is seriously under reported.²⁹ Cultural differences make it harder to capture the dynamics and changes such as urbanisation in Maori volunteering. Therefore, it is acknowledged that this study encompasses only a small part of the total volume of volunteering activity in New Zealand by choosing to use volunteering in formal organisations

The Johns Hopkins definition highlights the importance of independence. Professor Marilyn Taylor noted that it was important that the voluntary sector is independent so that it makes a distinctive contribution by supporting its own agenda.³⁰ Although voluntary organisations should have input to Government policy

²⁵ Ministry of Social Policy (2001).

²⁶ Suggate (1995).

²⁷ Statistics New Zealand (2006); Office of the Community and Voluntary Sector (2007).

²⁸ Ibid no. 1.

²⁹ Te Korowai Aroha Aotearoa Inc., Bradford and Nowland-Foreman (1999).

³⁰ Volunteering New Zealand (2005).

development, they must maintain their independence, which allows the non-profit sector to be diverse, separate from government and reach areas that others cannot or do not reach.³¹

Not all voluntary organisations can maintain independence. For example, in New Zealand, the Department of Corrections tenders out volunteer training contracts to organisations such as Prison Fellowship, a volunteer-based Christian ministry that recruits and trains volunteers for public prison service. Reliance on funding and strong collaborative links blurs the institutional separations. Therefore, the survey used in this research takes into account volunteers for the government sector as these volunteers are no different to volunteers providing their services to any other organisation.

2.2 Research on volunteers in the voluntary sector

So far, there has been relatively little research into volunteers in New Zealand voluntary organisations and their costs. However, recent research into the economic contribution of volunteers has provided a greater understanding of the magnitude of volunteers' input.

The first major research was the Value Added by Voluntary Agencies (VAVA) project originated by the New Zealand Federation of Voluntary Welfare Organisations (NZFVWO). PricewaterhouseCoopers (PwC) was commissioned to examine and estimate the inputs-voluntary-value-added for 10 voluntary agencies and to discuss the implications for the sector.³² The VAVA Project, issued in September 2004, showed that voluntary groups return between \$3 and \$5 worth of services for every \$1 they receive in funding.³³

In addition, research into the economic contribution of the sector has been undertaken by Statistics New Zealand as part of the Non-Profit Institutions Satellite Account which will input into the John Hopkins Comparative Non profit Sector Handbook.³⁴ⁱ The Satellite Account measured the economic value donated by volunteers by reference to average wage information. It also collected general census data on the voluntary sector, including as the number for non-profit institutions (NPIs) and the number of volunteers. The key findings reported were that:

³¹ Ibid no. 20.

³² New Zealand Federation of Voluntary Welfare Organisations (2004).

³³ Ibid.

³⁴ Johns Hopkins University Institute for Policy Studies (2007).

- Non-profit institutions contributed 2.6 percent to New Zealand's gross domestic product (GDP) in 2004.
- When volunteer labour is included, non-profit institutions' contribution to GDP increases from 2.6 percent to 4.9 percent.
- Over one million (1,011,600) volunteers gave more than 270 million hours of unpaid labour to non-profit institutions in 2004.
- There were 97,000 non-profit institutions identified as at October 2005.
- Non-profit institutions had 105,340 paid employees as at October 2005. Only 10 percent of all non-profit institutions employed paid staff.

In respect of individual volunteers, there has been a surge in the number of research projects on the voluntary sector worldwide, especially in the United States of America and Europe since 2000. This may be a result of increased awareness of the importance of the sector through programs such as International Year of Volunteers in 2001 and Volunteer Awareness Week held internationally in November each year. In addition, policy developments and sector lobbying have generated the need for further research. In Australia, two major surveys have been conducted into the costs of volunteering. One research project in the emergency service sector found that volunteers' costs were significant when direct costs and in-kind contributions and employment costs were taken into account.³⁵ A second, national survey on volunteering issues also found that expenses continued to undermine the voluntary contribution in Australia, so that volunteers' desire or ability to participate was, in some cases, adversely affected. Other issues significantly impact the availability of volunteers, including the need for criminal history checks on volunteers and organisational occupational health and safety.³⁶

In Europe, research into the social economy and the voluntary sector has assisted policy decisions.³⁷ Tony Blair, the British Prime Minister, in his 1999 speech at the NCVO conference pledged to increase the number of volunteers and provided £48m to encourage a new generation of young people to volunteer.³⁸ This arose from significant consultation to formulate future priorities and allocations for UK

³⁵ King, Bellamy and Donato-Hunt (2006).

³⁶ Volunteering Australia (2007).

³⁷ Grimes and Maxwell, (1997) and ESRC Seminar Series (2007).

³⁸ NCVO Annual Conference (1999).

government spending.³⁹ Government funds was promised to provide non-profit organisations with grants towards volunteers' costs.

In the USA, economists have sought to place a dollar value on the work of volunteers, but limited research to assess the cost of those volunteers to the organisations which they serve.⁴⁰ The research was motivated by President George W. Bush's address to all Americans to become more engaged as active citizens and to devote 4,000 hours, or two years, over their lifetimes to volunteer service. The research attempted to quantify the financial resources, infrastructure and organisational capacity needed to facilitate an influx of volunteers and included interviews of staff from 21 high quality volunteer programs from around the USA. The study did not quantify the specific cost of a volunteer but was able to identify the nature of organisational costs such as training and supervision. The study concluded that managing and supporting volunteers is costly to organisations, highlighting a tension between the need for 'free' staff and the cost to support them.

In New Zealand, some specific research projects have been conducted by organisations to determine the costs of volunteers and their contribution for funding or public policy purposes. These projects include those sponsored by the Department of Conservation and the Ministry of Social Development as well as the emergency services sector.⁴¹ Wayne's (2002) fire service sector research highlighted a poor infrastructure causing volunteers to be inadequately supported and recognised. He recommended that regular volunteer training and adequate insurance coverage be provided to retain volunteers as well as to boost recruitment of younger volunteers. Sector specific research is useful, but there is a lack of New Zealand research on the costs borne by volunteers and their organisations in respect of voluntary work.

Overall, the literature reviewed suggests that the sector is diverse and that there are costs related to volunteering. As individuals provide their time free of charge, it would seem natural to expect that incidental costs will be reimbursed by the voluntary organisations. Although anecdotal evidence suggests that this sometimes occurs, there is confusion as to the appropriate taxation treatment of any reimbursement and therefore many organisations seek alternative means to pay for costs incurred, and volunteers may modify their volunteering accordingly. The challenges in the taxation area are explained in section three.

³⁹ Ibid.

⁴⁰ The Grant Making Forum on Community and National Service (2003).

⁴¹ Wayne (2005), Wilson, Hendricks and Smithie, (2001); Bell (2003).

3.0 Taxation of reimbursements and honoraria

3.1 Problems with the current taxation rules

One of the aims of the October 2006 discussion document released by the Minister of Finance and the Minister of Revenue was to clarify confusion on the appropriate tax treatment of reimbursement payments to volunteers and honoraria recipients.⁴² The Income Tax Act 2004 (The ITA) suggests that reimbursements to non-employees are taxable in the volunteers' hands, but this is seldom followed and, if it was, would increase compliance costs enormously at a time when there is an overwhelming push towards reducing compliance costs wherever possible.

The feedback on the discussion document concurred that the current tax treatment of honoraria and reimbursement payments was unsatisfactory. Respondents called for urgent action, because many organisations were currently unwittingly breaking the law, or putting volunteers in the position of breaking the law, when they did not recognise that expense payments and honoraria should be declared as income and provide receipts for expenses.⁴³ As outlined in paragraph 5.6 in the summary of feedback:

“The tax treatment of honoraria and reimbursement payments for volunteer expenses is a significant issue for the voluntary sector. The difficulty in applying a correct tax treatment in this area is a major concern to many people in the sector. It came as a surprise to many in the consultation workshops to learn that if volunteers were to follow the law, they would be declaring reimbursement payments as income with offsetting expenses in a tax return.”

Some submissions specifically questioned the Inland Revenue Department's (IRD) interpretation of the current law in relation to reimbursement payments to volunteers. Respondents considered that a reimbursement payment was not income at law on the basis that it did not have “the quality of income in the hands of the recipient”.⁴⁴ For example, Jason Plimmer⁴⁵ considers reimbursement payments as compensation for expenditure incurred by the volunteers as agents of the organisation. The activity which is being reimbursed relates directly to the benefit of the organisation

⁴² Inland Revenue Policy Advice Division (2006), para 1.23, p 6.

⁴³ Inland Revenue Policy Advice Division (2007a), para 5.9, p 31.

⁴⁴ Inland Revenue (2007a), para 5.12, p 31.

⁴⁵ A tax consultant for Charris Accounting.

e.g. training costs, to provide certain skills to their volunteers to further its strategic or operational position, which would have otherwise been paid directly by the organisation. Hence, Plimmer believes that volunteers should not have to declare reimbursements and will also not be able to deduct expenses.

The uncertainty of the tax treatment and the costs of complying correctly with the current law are potential disincentives to volunteering. The lack of publicity about the tax obligations of volunteers who receive reimbursements and honorarium means that most individuals are unaware they should comply as due to the nature and the amount of the payment, reimbursements were not perceived as income. This concern was addressed by the Minister of Revenue, the Honourable Peter Dunne, who noted: “as the law now stands, volunteers and charitable organisations are often unclear about their tax obligations relating to reimbursement payment for volunteers. Ultimately, this adds to compliance costs faced by non-profit organisations and can act as a deterrent to people offering their time to these organisations.”⁴⁶

⁴⁶ Inland Revenue Policy Advice Division (2007b).

3.2 The current law on reimbursements

Reimbursements are “income” in the hands of the volunteer because there is no statutory exemption. Alternatively, employees and independent contractors are exempted on certain types of income that satisfy any of the provisions under subpart CW of the ITA. Section CW 13 provides that a reimbursement payment is exempt income to the extent that the payment satisfies the requirements of that provision. An amount paid by an employer to an employee is exempt income to the extent that the payment:

- Reimburses the employee for expenditure that would be deductible in calculating the employee’s assessable income or;
- Is expenditure on account of an employee, which, if incurred by the employee, would be deductible in calculating the employee’s assessable income.

These conditions are based on the assumption that the employer could obtain a deduction for the expense if they are a taxable entity (for-profit organisations), whereas employees cannot claim deductions for work-related costs.

Section CW 14 exempts travel allowances paid to an employee by an employer for additional transport costs which meet the definition under subsection (2) on a reasonable estimate. The employer can choose to reimburse on the basis of one of the following:

- actual costs incurred by the employee
- a reasonable estimate of the costs incurred by the employee
- an amount based on actual travel multiplied by published mileage rates⁴⁷; or
- an amount based on actual travel multiplied by IRD’s published rates.

All other reimbursement allowances made to employees that do not qualify for an exemption under section CW 13 or section CW 14 are taxable and subject to PAYE tax.

⁴⁷ In *Tax Information Bulletin* Vol. 18, No 5, June 2005 at p 135, the Commissioner announced that employers may start using rates published by a reputable independent New Zealand source, e.g. New Zealand Automobile Association Inc. as an alternative to the IRD’s published rates.

3.3 The current law on honoraria

Organisations may make payments to the chairperson or other office holders of their club or society for special services they render. These payments are not ‘income from employment’, as normal salary and wages are, unless they are paid to an employee. Honoraria are not dealt with in any specific provision in the ITA. However, honoraria are taxable receipts to individuals because they are income according to ordinary concepts within the meaning of section CA1 (2). Under the current law, honoraria and associated payments for reimbursement of actual expenses paid to mayors, chairpersons and/ or members of local bodies, clubs, societies and organisations are classified as “withholding payments” under the Withholding Regulations (1979) and are withheld at a rate of 33 percent.

As honoraria recipients are in receipt of taxable income, related expenses can be deducted from their taxable income and are therefore claimed, not from the voluntary organisation in full at the time of the expense, but indirectly from the IRD through the individual filing a tax return, should they choose (or be otherwise required to lodge one).⁴⁸ The value of the tax deduction will depend on the volunteer’s marginal rate of tax.

The current law does cover some honoraria is paid solely or mainly to reimburse expenses incurred by the honorarium recipient. For example, some organisations such as School Boards of Trustees and Plunket New Zealand have applied to the IRD and received a determination of the amount of an honorarium that can reasonably be considered to be reimbursement of expenses incurred in certain circumstances (such as travel costs attending board meetings). Under these determinations, only those amounts that are more than the stated reimbursement thresholds are subject to withholding tax.⁴⁹

3.4 The test for determining who is an employee for tax purposes

The main difficulty in the ITA is the absence of a specific provision distinguishing between a volunteer and an employee for tax purposes. The ITA’s failure to deal realistically with the distinctions between an employee, an independent contractor and a volunteer leads to volunteer expenses and reimbursements in relation

⁴⁸ Inland Revenue Department (1998), Clubs and societies – a tax guide for clubs, societies, non-profit bodies, associations and other groups. IR254. February 1998

⁴⁹ These determinations are made under clause 7 of the Income Tax Act (Withholding Payment Regulations 1979)

to the volunteering activity not being addressed. The IRD uses the definition of an employee contained in the Employment Relations Act 2000. This definition specifically excludes volunteers who do not expect to be rewarded for work performed as a volunteer and who receive no reward for such work. Accordingly, any payment which is designed to reimburse a volunteer for expenditure cannot satisfy the requirements of section CW 13 because the volunteer is not an employee.

Section 6 of the Employment Relations Act 2000 provides that unless the context otherwise requires, an employee is any person irrespective of their age who is employed by an employer to do any work for hire or reward under a contract of service. Section 6 further provides that in deciding whether a person is employed under a contract of service, the Employment Relations Authority or the courts must determine the real nature of the relationship between the parties. In determining the real nature of the relationship between the parties, the courts have traditionally followed a number of criteria. The recent decision of the Supreme Court of New Zealand in *Three Foot Six v Bryson*⁵⁰ demonstrates why volunteers are unlikely to be classified as an employee for tax purposes. The question was whether Mr Bryson, who worked for a film company, was an employee in substance, even though his written agreement described him as an independent contractor (rather than an employee). The Supreme Court overturned the decision of the Court of Appeal which found Mr Bryson to be an independent contractor and upheld the decision of the Employment Court which found him to be an employee based on all the surrounding factors. Three Foot Six controlled the hours of Mr Bryson's work and how the work was carried out. Mr Bryson's work was an integral part of Three Foot Six's business and there was no evidence that he was acting as a self-employed business person. All of the evidence was consistent with the conclusion that he was an employee. If the traditional tests and guidelines provided below were met, the person is most likely an employee. The tests are:

- The control test
 - Can the employer control the number of hours worked and how the work is done?
- The fundamental test
 - Does the employer make the profit or loss from the enterprise?
 - Does the employer deduct ACC levy and PAYE on behalf of the employee
 - Does the employer supply materials and equipment for the work?
- Integration test

⁵⁰ Bryson v Three Foot Six [2005] 3 NZLR 721.

- Is the person an integral part of the business?

The fundamental point is that volunteers are not employees because no profit or loss is made from their work and no ACC levy or PAYE is deducted by the voluntary organisation. Neither can volunteers be seen as independent contractors because volunteers do not work to make a profit. Volunteers are motivated by philanthropic and altruistic motives to give back to the community.

The IRD has examined the implications of taxing a volunteer as if they were an employee. On the one hand, a volunteer is analogous to an employee in terms of expenses incurred as an agent for the organisation, for example, sending a volunteer to represent the organisation as a delegate attending a conference which relates directly to the strategic activities of the organisation and incurring travel and accommodation costs and receiving a meal allowance.

However, in a recent interview Jason Plimmer has pointed out that using this analogy means that any reimbursement for expenses relating to a private element such as driving to and from the place of work and parking costs are taxable income. The employee analogy becomes a problem when dealing with these types of costs in relation to the volunteer. The private benefit enjoyed by an employee is not applicable to volunteers because volunteers are not making economic motivated decisions when conducting their volunteering activity. Volunteers are people who want to give back to the community. They do not make economic decisions about volunteering in order to maximise their personal income. At times, they are obliged to travel long distances to conduct their volunteering activities. In a recent interview Plummer concludes, “there is no expectation of reimbursements and any reimbursements paid will be a surprise or taken gratitude towards the costs incurred by the volunteers. Reimbursements made are also minimal and at most just cover the actual costs incurred. Their income position is likely to be nil or negative.”

3.5 The implications of complying with the current law

Under the current law, volunteers who receive reimbursement and honoraria must file income tax returns. The Non-Profit Institutions Satellite Account (2004) identified that there were 97,000 non-profit institutions as at October 2005 of which 90 percent do not employ staff. This means that only one out of ten non-profit organisations have employees. These organisations are also likely to have volunteers (see VAVA report). Statistics New Zealand reported that a total of 1,011,600 people in New Zealand volunteered for more than one organisation during the year ended 31 March 2004. Complying correctly with the law means that assuming all volunteers receive some form of reimbursement or honoraria, they will be required to file income tax returns and keep records of their expenses in order to claim deductions for expenditure incurred.

The revenue to be collected in this sector is unlikely to justify the compliance cost imposed on the sector. Under the current law, IRD's administrative cost is likely to increase significantly to accommodate the full compliance of volunteers. The revenue gained from this sector is also understood to be miniscule considering the sector's main objective is for reasons other than to make a profit. A cost-benefit-analysis is likely to show that the compliance cost imposed on the sector would outweigh the revenue collected. This goes against the Government's effort in reducing the number of tax returns being filed. Therefore, it is seen as both impractical and ineffective if the sector is required to comply with the current rules.

3.6 Inland Revenue Practice

There is a gap between statutory obligations and administrative practice, due to the lack of understanding of the correct tax treatment on volunteers' reimbursement. Two administrative practices have developed within IRD in cases where payments are small and not of an income nature. Firstly, the IRD does not require volunteers to file an income tax return and provide documentary evidence for reimbursement payments which appear 'reasonable' and are not excessive.⁵¹ Nevertheless, the IRD has made it clear in the discussion documents the reimbursements are legally taxable.

The definition of an honorarium and its distinction from a reimbursement is also not clear within the current tax laws and again uncertainty of the law in regard to

⁵¹ Inland Revenue Policy Advice Division (2006), para 3.22, p 18.

honoraria may lead to inconsistent treatment between different groups of volunteers. The mode of payments and honoraria made to volunteers can be diverse. Volunteers also provide a diverse range of services to an organisation, for example, a volunteer who is a referee may also help the organisation set up a computer and receive a payment in gratitude. It is hard to distinguish whether the payment is an honorarium for services rendered or reimbursement for incidental costs incurred.

Secondly, the taxation of small honoraria could be seen as unfair, especially when the payments received are less than the costs incurred. This is further exacerbated if volunteers are subjected to punitive penalties and use of money interests for failing to file a tax return. This may be a disincentive for those who are volunteering or want to volunteer. Take John Titchener⁵², a volunteer who decided to resign from his post as a volunteer committee member in a local organisation because he felt he was being discriminated against. He used the organisation's claims process to claim a mileage allowance paid at a rate per kilometre for a training hui attended. He was informed that the allowance was subject to withholding tax on the advice of IRD as apparently it was treated as an honorarium and therefore fell within the scope of the Withholding Regulations. It was unclear as to why the payment of \$148 was an honorarium rather than simply a reimbursement made to cover actual travel costs. John had not had to pay tax on previous payments he had received and indeed, had previously been informed that they were not taxable. As John expressed, "I have received contrasting advice in relation to my reimbursement. I feel that I have been discriminated to my detriment on the basis that I am a volunteer and not an employee." John's case demonstrates that there can be serious disincentives to volunteering if reimbursements or honorarium made to cover expenditure incurred are taxable.

The irregular tax treatment on reimbursements and honoraria together with the inherent uncertainties of the self assessment system may discourage voluntary compliance in the sector. Volunteers will also be concerned about fairness and equity, particularly now that many organisations are becoming aware that they are currently unwittingly breaking the law, or putting volunteers in the position of breaking the law.

⁵² Correspondence between John Titchener and an organisation was provided to the lead researcher by Tim Burns, VNZ.

3.7 Case study example

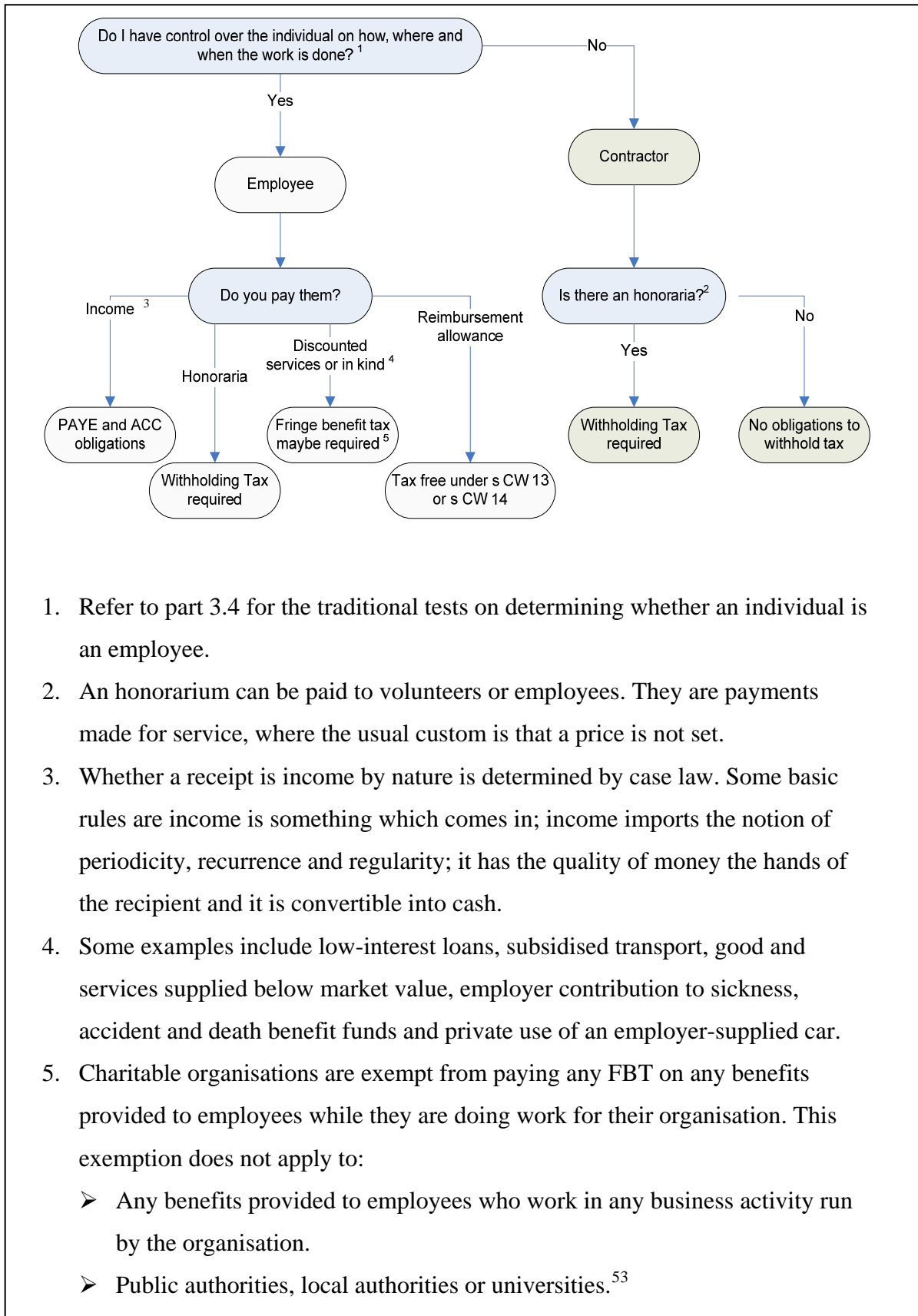
As this research will cover the different types of reimbursement made to volunteers, the following case study demonstrates the compliance obligations which the current law imposes on volunteers and their organisations. **Flowchart 1** demonstrates the tax obligation on a non-profit organisation with volunteers. **Flowchart 2** determines the tax obligation outcome on individuals in the non-profit organisation when he or she receives a payment.

In this example, Mrs. Bean is the treasurer of the NZ Arthritis Foundation. She interacts with Board members (Kath and Kim), deals with senior employee (John) and also with the Foundation's volunteer (Jane). Mrs. Bean makes the following payments in December 2007:

- \$400 paid to volunteer Kath as a contribution towards travel, accommodation and food expenses for attending a training program in Rotorua.
- \$500 paid to volunteer Kim as an honorarium for attending board meetings and carrying out other board duties. In addition she pays \$100 as a contribution towards Kim's attendance at the 2 day training in Rotorua.
- \$1000 paid to John, a senior employee as part of his contractual employment with the New Zealand Arthritis Foundation. In addition she pays him a \$200 travel allowance for cost of travel to Rotorua for training.
- \$250 worth of petrol vouchers given to Jane at year end as a 'thank you' for driving patients to and from the hospital for their treatment.

Kath and Jane both board members and are not employees of the Foundation as the nature of the relationship with New Zealand Arthritis Foundation does not point to one. The organisation cannot exert the same amount of control over their volunteers as an employee; it does not deduct PAYE (or ACC levies) and does not make a profit or loss from their activities. Reimbursements to Kath and Jane do not constitute "withholding payments" and they will need to return this as income, along with any related expenses claimed, in a personal income tax return at the end of the year.

Flowchart 1: – *Tax obligations on volunteer organisations*



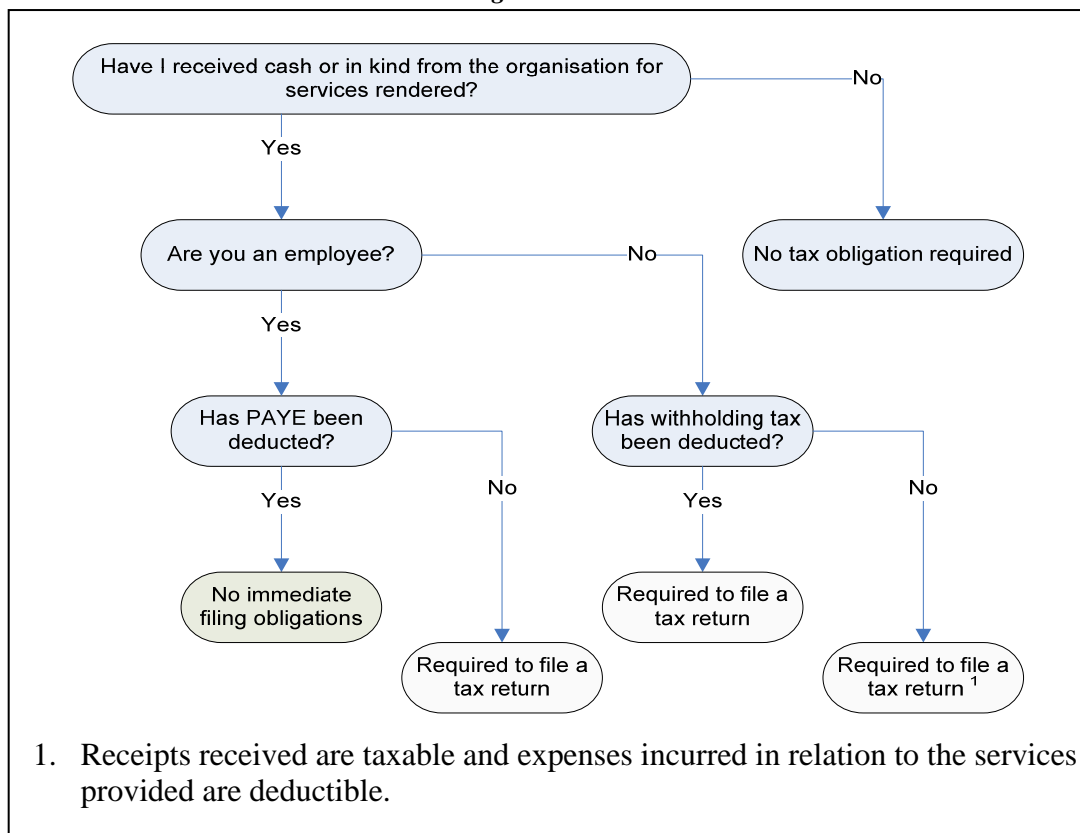
1. Refer to part 3.4 for the traditional tests on determining whether an individual is an employee.
2. An honorarium can be paid to volunteers or employees. They are payments made for service, where the usual custom is that a price is not set.
3. Whether a receipt is income by nature is determined by case law. Some basic rules are income is something which comes in; income imports the notion of periodicity, recurrence and regularity; it has the quality of money the hands of the recipient and it is convertible into cash.
4. Some examples include low-interest loans, subsidised transport, good and services supplied below market value, employer contribution to sickness, accident and death benefit funds and private use of an employer-supplied car.
5. Charitable organisations are exempt from paying any FBT on any benefits provided to employees while they are doing work for their organisation. This exemption does not apply to:
 - Any benefits provided to employees who work in any business activity run by the organisation.
 - Public authorities, local authorities or universities.⁵³

⁵³ See Tax Information Bulletin Vol. 9, No. 5 (May 1997).

Kim’s honorarium should be subjected to withholding tax at a rate of 33 per cent under the Withholding Payments Regulations (1979). The \$100 training allowance made to Kim is an “associated payment” and should also be subjected to withholding tax. Thus, \$600 is withheld at 33%. The NZ Arthritis Foundation will pay \$198 of withholding tax to IRD and \$402 to Kim as net income. Based on Flowchart 1, the organisation is required:

- To withhold 33 per cent of the \$600 “honoraria” and “associated payments” made to Kim because she is a committee member. Kim is also required to fill out a tax code declaration form (IR 330), otherwise a tax rate of 48 percent may apply.
- To deduct PAYE and ACC levies from John’s \$1000 salary as an employee as he meets the definition of employee under the Employment Relations Act 2000.⁵⁴ His travel allowance is exempted under section CW 14 and is not subjected to PAYE.
- Has no tax obligations in respect of the \$250 petrol voucher given to Jane because she is not an employee. However Jane will be taxed on this amount.

Flowchart 2: Tax obligations on individual volunteers



⁵⁴ “Employee” means any person of any age employed by an employer to do any work for hire or reward under a contract of service; and includes a home worker; or a person intending to work; but excludes a volunteer who does not expect to be rewarded for work to be performed as a volunteer; and receives no reward for work performed as a volunteer.

Based on **Flowchart 2**, the volunteers' tax obligations are:

- Kath and Kim should file income tax returns as the NZ Arthritis Foundation reimbursements are 'income'. The exemption contained in section CW 13 does not apply because they are not employees. The reimbursements are required to be returned as income and expenses claimed in their income tax returns.
- Jane must file an income tax return to declare the \$250 petrol voucher because it is "income" received in connection with her volunteering activity.
- Kath, Kim and Jane are allowed deductions of expenses incurred in the course of earning the honorarium and reimbursement. However, they are required to keep records such as having a log book or show proof of their expenses for the expenditures claimed.

The case study demonstrates that the burden to comply falls heavily on volunteer whenever they are reimbursed, despite the advice John Titchener received. Anecdotal evidence suggests that frequently the payments are likely to result in 'nil' or negative income after deducting related expenses. This research was undertaken to quantify more definitively, the reimbursements made to volunteers and whether these payments meet the costs incurred in relation to their volunteering activity.

4.0 Study Methodology

The study uses a national online survey of volunteers and their voluntary organisations. The survey methodology was preferred to interviewing volunteers or a case study methodology due to its flexibility, versatility and ability to provide understanding general sector characteristics. To be valid, a large sample of volunteers across various sectors was needed to capture the diversity and using a survey allowed for measurement of volunteers' demographic characteristics, attitudes and some volunteering patterns. Specialisation and efficiency was also another advantage over using a survey as questions could be customised to cover the broad geographical and sector characteristics and deal with limitations in resources.

An internet-based survey was preferred to email questionnaire attachments because technologically sophisticated survey programs can collect data over a short period of time from large numbers of respondents. The interactive features of a web

survey enable “branches” as opposed to a “flat form” questionnaire to more adequately capture the data. For example, only volunteers who answered ‘yes’ to receiving honoraria could see the question related to the amount of honoraria received. The survey program also allowed multiple responses to accommodate complex questions. Internet technology and computer accessibility is widely available in New Zealand and most households have this technological resource. The Internet Telecommunications Union identified that as at 2005, 74.9% of the New Zealand population were internet users.⁵⁵

Collecting data through web surveys is also superior to an email questionnaire or an attachment which requires downloading and is therefore more time consuming. In addition, increased data handling would result if an email questionnaire had to be sent to volunteers through individual voluntary organisations. Overall, the online data collection was chosen because of the availability of sophisticated technology which improves the design of the questionnaire and also ensures better data handling.

The steps in designing, implementing and reporting the findings of this study were as follows:

Phase 1:

1. Literature review
2. Design and development of questionnaire (with Tim Burns, VNZ, Jan Tame and Charles Ngaki from IRD and James King, Statistics New Zealand)
3. Pre-test amongst volunteers and organizations, such as New Zealand Cancer Society
4. Revision of questionnaire based on pre-test (editing done by Beverly Fairfax)

Phase 2:

5. Survey Web Design with Rachel Grant, Victoria University of Wellington Marketing Department
6. Sampling strategy devised with Tim Burns, VNZ
7. Dissemination of questionnaire invitations
8. Survey implementation and second phase reminder email
9. Collation, data entry and analysis
10. Interim report – October 2007
11. Final report – November 2007

4.1 Volunteering New Zealand and collaboration with the sector

This survey was undertaken in collaboration with Voluntary New Zealand (“VNZ”), an association of regional volunteer centres and national organisations with a

⁵⁵ The International Telecommunication Union in 2006 identified 3,200,000 internet users in New Zealand which makes up 76.9% of the population. Information available at: <http://www.itu.int>

strong commitment to volunteering. VNZ is affiliated to approximately 11 volunteer centres and 60 national members from various sectors of the community such as sports and culture, arts, health, education, voluntary promoting, community welfare. Its members include long established organisations such as the Cancer Society of New Zealand, National Heart Foundation, Royal New Zealand Plunket Society, St Johns' Ambulance Society, Athletics New Zealand, New Zealand Fire Service, Surfing New Zealand and many more. VNZ's executive director, Tim Burns, approached the university and offered to host an online survey as he had expert knowledge of the sector and a wide range of networks through which to promote volunteers' participation. Furthermore, the information gained would aid VNZ's promotion of the benefits which volunteering brings to the community and potentially identify if increasing costs are resulting in the reduction of the availability of volunteers.

4.2 Questionnaire design and pre-test

4.2.1 The cost of volunteering in the Australian Emergency Management Sector

The initial template of the questionnaire was taken from a similar study conducted in Australia on the cost of volunteering in the emergency management sector volunteering.⁵⁶ The Australian study distinguished between direct financial costs and in-kind contributions. Direct financial costs are out-of-pocket expenses incurred by volunteers as part of their volunteer activities. A wide range of these were identified costs including petrol, food and drink, clothing, membership fees, training and self-education. In-kind contributions are where volunteers commit their own equipment or other resources at no cost to the volunteer organisation, such as the volunteer's own phone, office equipment, motor vehicle expenses, tools and the volunteer's laundry.

The Australian questionnaire had to be modified considerably to take into account the diversified volunteer sector involved in this study. Instead of separating costs into direct financial costs and in-kind contributions, the study separated costs into travel related and non-travel related costs involved in volunteering. This was more in line with the questions raised by the ambiguity of the ITA and New Zealand's regulatory environment. It was also considered that respondents would find it easier to distinguish between travel and non-travel related cost of volunteering, rather than assessing in-kind contributions.

⁵⁶ Ibid no. 29.

Volunteers may volunteer for more than one organisation. To accommodate data for any secondary organisation(s) they volunteer for, the survey questionnaire would need to be complex. Respondents might have found it too difficult to relate different costs to the different organisation(s) for which they volunteer, leading to increased chances of costs overlapping and increasing the number of duplicate forms. This could also result in a low response rate if the survey is too difficult. Hence, it was decided that the survey questionnaire would ask volunteers to respond in relation to their main voluntary organisation. It was up to the respondent to select that main organisation.

4.2.2 Designing the questionnaire

The diversity of the sector and the attempt to define the different kinds of answers that might be applicable to the various sectors meant that the questionnaire design proved to be quite complex and challenging. A literature review of methodological study on the measurement of volunteering noted that one of the dilemmas in measuring volunteering is capturing the diversity of the sector while keeping the survey simple enough to obtain useful responses.⁵⁷

Steinberg et al. found that the longer and more detailed a survey module, the more likely an individual was to assert they had volunteered in the previous year, and that their volunteer hours were more than if the survey module was short and simple. Respondents may report volunteer service that they did not actually perform in an effort to conform to a perceived set of social expectations or to please or impress the interviewer. Although this is a problem in any type of survey research, it may be exacerbated by repeated questions about volunteering, which may convey the message to the respondent that it is expected or normal to provide volunteer service. Rooney et al. also found that longer, more detailed prompts led to skewed assertions when compared to survey methodologies with fewer prompts. Respondents recalled higher proportions and higher incidents of giving and dollars donated, as well as higher incident rates of volunteering and hours volunteered.

Alternatively, Hall noted that brief or infrequent volunteering may cause respondents to under-report their service.⁵⁸ Hence, the questionnaire in the current research project was designed in a way to ensure that it was detailed and had sufficient prompting but at the same time kept within a maximum word length and used easily

⁵⁷ Steinberg, Rooney and Chin (2007) and Rooney, Steiner and Schervish (2004).

⁵⁸ Hall (2001)

understood language to accommodate a diverse range of volunteers including those who did not speak English as a first language. Furthermore, the questionnaire needed enough prompts on the different kinds of costs to remind respondents of their expenditure. The testing as described below enabled this questionnaire to achieve this.

Short and concise answer scales and ranges were preferred to sophisticated and complex ones to ensure that the survey questionnaire was simple enough to reduce non-response rates on each question. In determining the size and scale of a structured question, ranges were chosen based on feedback from VNZ and other voluntary organisations as well as IRD, to ensure that they coincided with those commonly occurring in the sector. For example, as can be seen in Appendix 2, the amount of honoraria received was stated in 6 category ranges; category 1 being less than \$199, category 2 being \$200 to \$499, category 3 being \$500 to \$999, category 4 being \$1000 to \$2499, category 5 being greater than \$2,500 and category 6 as 'don't know'. (It was understood that honoraria are generally small dollar amounts.) The questionnaire was also designed with as few categories as possible by providing more dimensional ranges for respondents.

Grouped intervals were also preferred compared to numeric or verbatim input. Structured answers provided more precise guidance to respondents as to what information is being sought. Providing a structured list of answers for most questions also indicated to respondents that they were to base their answers on the characteristics of volunteering as opposed to asking participants to provide verbatim answers which may induce extraneous information. The chance for typed comments also enabled data to be re-categorised during processing, including combining categories if necessary. In the "survey for organizations", verbatim numerical input was sought for questions such as the total amount of travel and non-travel reimbursements for the last available 12 months. This was sought for more accurate quantitative data analysis, as it was felt a range may provide meaningless answers.

However, grouped intervals were provided for age or income to induce responses to sensitive questions so that respondents felt they could maintain their privacy. While this could have limited the data analysis and limited the statistical tools that were able to be used, it was felt that groupings of ranges, as used in Statistics New Zealand surveys, could be matched to population data.

Two questionnaires were designed; one for volunteers and one for the voluntary organisations. Most effort went into the volunteer questionnaire but to allow for comparability and better aggregation of data, an organisation questionnaire was

developed. The questionnaire went through a number of review phases with the assistance of Tim Burns, Executive Director of VNZ and James King from Statistics New Zealand. James King was involved in the Non-Profit Institutions Satellite Account. Beverly Fairfax assisted with editing. Finally, the questionnaire was pre-tested by volunteers who held management positions in the New Zealand Cancer Society and The Royal New Zealand Plunket Society. This was to ensure that the organisations could answer the questions that required them to have access to financial records, such as the average reimbursements paid per volunteer for travel and non-travel costs. The pre-test was also useful to ensure that terminology used could be understood by volunteers across sectors and the answers provided were applicable across sectors.

4.3 Sampling Strategy

Following the input of the questionnaire into the internet version, a national sample was drawn of potential respondents. The Non-Profit Institutions Satellite Account had already identified that there are over one million volunteers.⁵⁹ The survey needed a large sample for the following reasons:

1. The decisions to be based on the survey data have serious or costly consequences.
2. There is likely to be a high level of variance among the units in the population to be sampled.
3. The sample is to be divided into relatively small sub-samples during analysis and interpretation.
4. Project costs and timing vary only slightly as sample sizes increase.⁶⁰

Three options were considered for drawing the sample:

- A **random sample** of volunteers, in proportion to the size of their agencies
- A **quota sample**, in proportion to the size of the agencies
- A **purposive** (convenience) sample⁶¹

A pure random sample is the most desirable kind for almost every survey. However, it was immediately clear that there were too many gaps in the agency listings of volunteers across all sectors to enable a random sample of volunteers nationally.

⁵⁹ Statistics NZ (2007c)

⁶⁰ Alreck and Settle (2004)

⁶¹ Ibid.

There is no umbrella organisation that has agency listings of all voluntary organisations across all sectors in New Zealand and a sample frame is unobtainable. For these reasons, a national random sample of volunteers was not considered feasible due to resource and time constraints.

A quota sample involves drawing a sample of volunteers from available lists, based on the estimate size of each agency. However such sampling would mean that all the respondents would have to be on VNZ's list of agencies. While VNZ's database was extensive, it did not have all voluntary organisations in New Zealand. This drawback was considered undesirable for painting a broader picture of volunteering across the agencies in New Zealand. A degree of flexibility should be allowed to accommodate the diversity of the sector, especially small voluntary agencies which may not be affiliated to VNZ.

The purposive (convenience) sample was the sample strategy adopted in this study, to ascertain respondents from the population that are obtainable and convenient to reach. In planning this study, it was realised that volunteers' costs may be spread unevenly across the volunteer workforce, according to variables such as the sector and the geographic location of the volunteer. It was partly this reason that a purposive, rather than a random, sample of volunteers was undertaken. Along with the extensive database of voluntary organisations available from VNZ, the information about the questionnaire could be distributed by other agencies to their volunteers in urban and rural locations.

To check the reliability of the sample so obtained, the questionnaire was designed to permit comparability with the sample frame obtained by Statistics New Zealand in the Non-Profit Institutions Satellite Account. For example, that study identified that the highest number of voluntary institutions was in the culture and recreation activity group, followed by social services. They also identified that a higher proportion of females than males ticked 'other helping or voluntary work for or through any organisation, group or mare' in the 2006 Census. Therefore, the list of sectors was designed so that data could be compared to the Statistics New Zealand sample. The results from the Satellite Account were based on a 2004 sample, but it is assumed that this data has not changed significantly.

The final sample size was a function of the time allocated for this research, with a target set of 750 completed volunteer's questionnaire and 200 completed organisation's questionnaires.

4.4 Survey Implementation

The online survey was made available to volunteers and the voluntary organisations in early September 2007. The survey was hosted online using the Victoria University of Wellington's (VUW) server. Survey Pro 3.0 was the program used to design and publish the online version and technical assistance was provided by VUW.

VNZ emailed its members inviting voluntary organisations to take part in the survey by clicking on the link they provided. The invitation was also posted on their website. To overcome the limitations of using web surveys in reaching volunteers without internet facilities, a link was also provided in the invitation email to allow for any volunteers wanting to print out a hard copy of the questions, which directed the potential participant to a PDF version of the survey. Also, a number of organisations (including the New Zealand Cancer Society) mailed out hard-copies of the survey forms to their volunteers at their own expense. Furthermore, a number of organisations, such as SPARC, the New Zealand Cancer Society, the Office of the Community and Voluntary Sector (OCVS), NZFVWO, Association of Non-Governmental Organisations of Aotearoa (ANGOA) and Statistics New Zealand provided assistance in marketing the survey to their volunteers, employees who volunteer and those who were on their mailing lists by informing them about the survey through their notice boards, bulletins and websites.

The sampling strategy used made it harder to capture inactive volunteers or volunteers who have resigned from their role. These volunteers may have been removed from their agency listings and may not have received an invitation to participate in the survey. This should not heavily impact the results concerning costs because the current sample framework of active volunteers is adequate to draw a general outline of the costs associated to volunteering. However, lack of inactive volunteers in the survey results may lead to under-reporting of the impact of costs on volunteering, as the survey would not include data from those for whom costs were a factor contributing to their decision to stop volunteering. One method of minimising this limitation was to ask the organisations the likely reasons for their volunteers leaving. Based on discussion with the sector, some organisations conduct an exit interview of departing volunteers and if cost is a highlight, they would be able to provide this in the organisation survey.

5.0 A profile of volunteers

A total of **1537** volunteers and **224** non-profit organisations responded to the survey by the end of September 2007. These figures also comprised paper-based replies which were later manually entered into the database of Survey Pro 3.0. The figures were finalised after the removal of duplicates or blank responses as the program allowed for the removal of survey forms with exactly the same answers or which were completely blank. Verbatim answers were also manually analysed and were combined with the given list of answers if found to be relevant. Table 1 shows the total number of replies and numbers of responses that were removed.

Table 1: Net Reply on Survey questionnaires

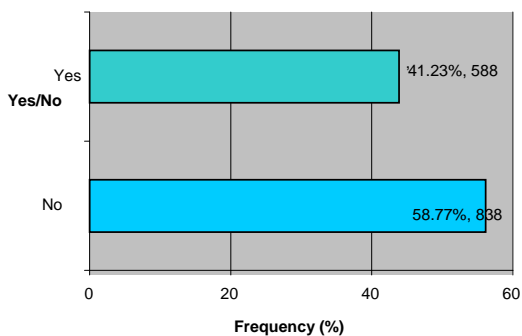
	Survey of Individuals	Survey of Organisations
Total number of web replies	1,180	273
Total number of paper based replies	497	0
Less duplicates	(116)	(31)
Less blank forms	(24)	(18)
Net responses	1,537	224

Volunteers' demographic characteristics and their attitudes towards volunteering were developed from responses. This section outlines the characteristics of the respondents in relation to:

- Number of voluntary organisations worked for
- Age and gender
- Income and employment status
- Sector of voluntary organisation
- Geographical location of volunteer

5.1 Number of organisations voluntary work undertaken for

Chart 1: Replies to 'Do you volunteer for more than one organisation?'

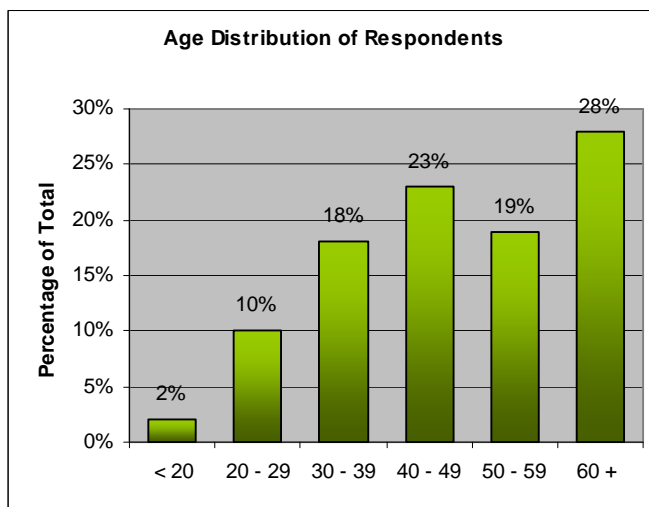


Answer	No. of respondents	% of total
Yes	588	41%
No	838	59%
Total	1426	

Respondents were asked whether they volunteered for more than one organisation. As evident from the charts above, more than half (59%) of respondents said they volunteered for only one organisation. However, the proportion of respondents volunteering for more than one organisation is significant. This finding is consistent with the results found in the Time Use Survey's estimates that the majority of volunteers (54%) conducted formal unpaid work for one institution, but the proportion of volunteers working for more than two organisations was.⁶²

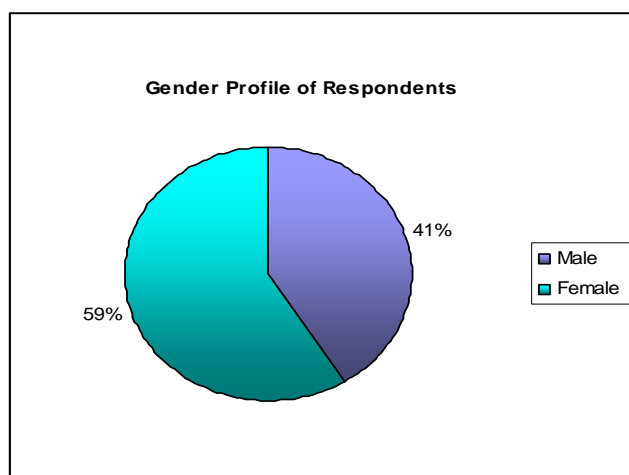
5.2 Age and gender

Chart 2: Age Distribution of respondents



Age	Survey respondents		New Zealand volunteering demographics ⁶³	
	No.	%	No.	%
< 20	24	2%	24,417	5%
20 - 29	144	10%	49,146	12%
30 - 39	267	19%	78,975	18%
40 - 49	328	23%	101,565	23%
50 - 59	278	19%	76,836	18%
60 +	393	27%	106,302	24%
Total	1434		437,241	

Chart 3: Gender profile of respondents



Gender	Survey respondents		New Zealand volunteering demographics	
	No.	%	No.	%
Male	588	41	188,835	43%
Female	838	59	248,406	57%
Total	1426		437,241	

Charts 2 and 3 show that the age and gender distribution of respondents in this survey were comparable to the 2006 Census Data of those 'who undertook voluntary

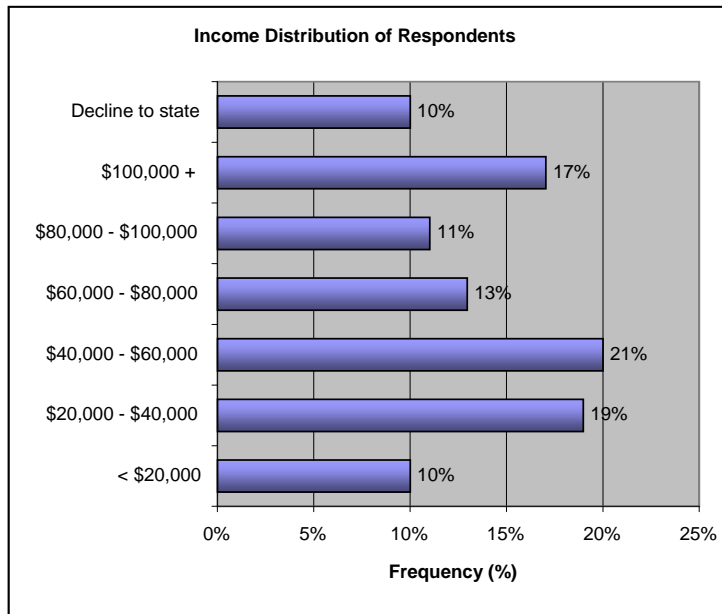
⁶² Statistics New Zealand used data from the Time Use Survey 1998/1999 and extrapolated it to produce the 2004 Satellite Account report. See Statistics New Zealand (2001) for more details.

⁶³ Statistics New Zealand (2006)

work through an organisation, group or marae’. The 2006 Census showed that there were more female to male volunteers with more people in the 40–50 age groups and 65–75 age groups volunteering. This demonstrates that the sample of respondents gathered in this survey is a fair reflection on the population from the 2006 Census data.

5.3 Income and employment status

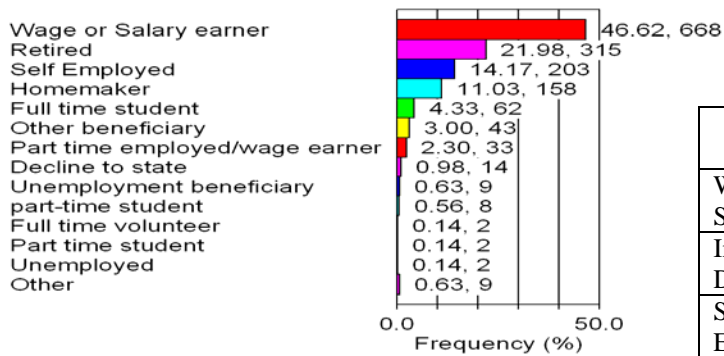
Chart 4: Income Distribution of respondents



Income	No. of respondents
< \$20,000	149
\$20,000 - \$40,000	272
\$40,000 - \$60,000	296
\$60,000 - \$80,000	184
\$80,000 - \$100,000	155
\$100,000 +	242
Decline to state	136
Total	1434

Chart 5: Employment status of Respondents

31. Please indicate your employment status



Income source	Survey respondents	New Zealand Population %
Wages and Salaries	51.8%	59.6%
Interest and Dividends	N/A	24.1%
Self-Employed	14.6%	16.3%

* Note: Multiple answer percentage-count totals not meaningful.

The study found that 61% of respondents had personal income of \$40,000 per annum or above (See **Chart 4**), with a weighted-average income of \$58,151.⁶⁴ The average income in New Zealand is \$34,684 per annum.⁶⁵ The survey respondents over-represented upper middle and higher incomes and, to some extent, the higher income profile of respondents reflects the predominant age group and employment status. In addition, it may concur with the survey of Lemon et al.⁶⁶ that found that people who undertake formal volunteering have higher incomes and levels of education.

It is understandable that some people are not comfortable in revealing their income in a questionnaire survey. 10% of respondents declined to state their income details.

5.4 Sector of voluntary organisation

As can be seen in Chart 6, emergency/social services, health and sport/recreation were the top three sectors in this survey, comprising 60% of the total respondents. Social service providers cover a vast range of institutions, including those providing income support and maintenance. Examples are early intervention services, services for the disabled and elderly, food banks, self help, prison visits and other personal social services. No statistical record has been conducted on the number of volunteers according to sector. The lists of sectors used was based on the Non-Profit Institutions Satellite Account, that included emergency and relief services under social services.⁶⁷ A minor difference between this survey's list of sectors compared to the Satellite Account was the separation of sports/ recreation and arts/culture as two

⁶⁴ See appendix for statistical calculations.

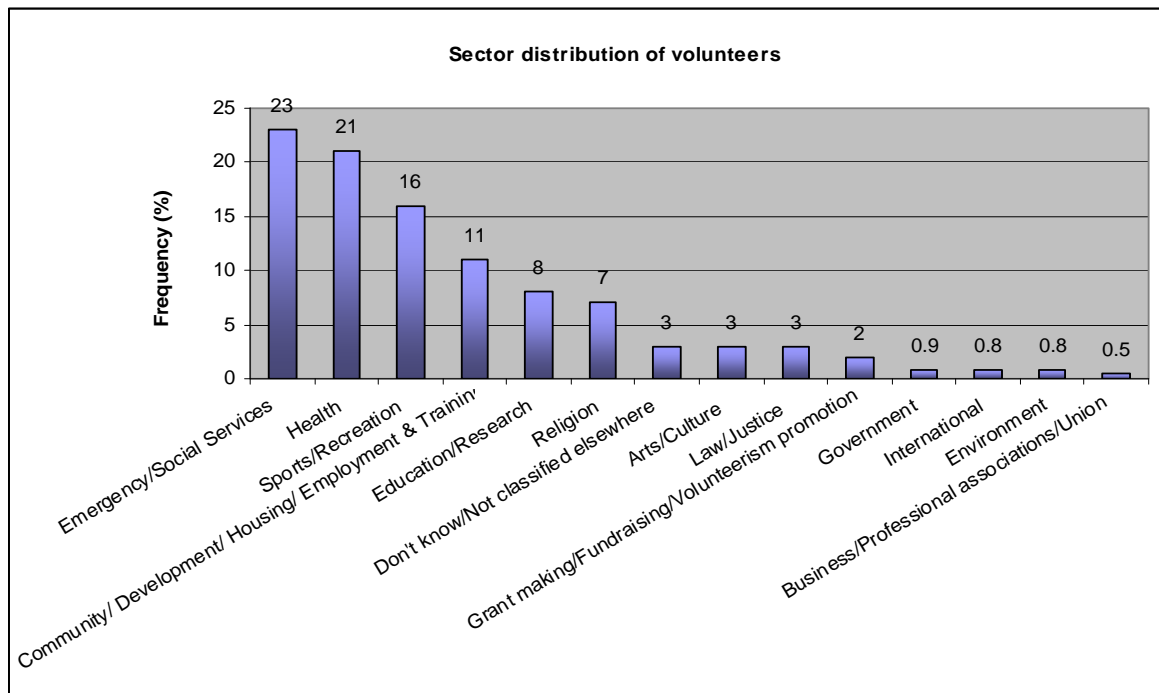
⁶⁵ Statistics New Zealand (2006).

⁶⁶ Lemon, Palisi and Jacobsen (1972).

⁶⁷ Statistics New Zealand (2007a; 2007b)

different classes instead of one. It should be noted that few volunteer respondents (less than 3%) were from the arts/culture sector.

Chart 6: Sector distribution of respondents



Sector	No. of respondents
Emergency/Social services	343
Health	312
Sport/Recreation	232
Community/Development/Housing/Employment & Training	170
Education/Research	115
Religion	104
Don't know/not classified elsewhere	50
Law/Justice	40
Arts/Culture	39
Grant making/Fundraising/Volunteerism promotion	33
Government	14
International	12
Environment	11
Business/Professional associations/Union	7
Total	1482

To a certain extent, the large number of respondents from the emergency/social services sector may reflect the findings of the Non-Profit Institutions Satellite Account, which identified that the social services sector provides the highest value of contribution to GDP (See table 3).⁶⁸ In addition to the high levels of GDP contributed by emergency and social services, the social services sector also has the highest number of employees in non-profit institutions reported in the Non-Profit Institutions Satellite Account (See table 2). This indicates that the social services sector requires a

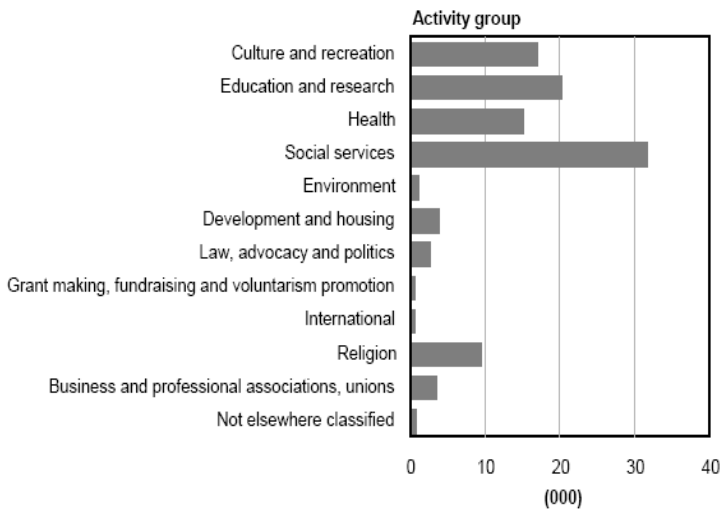
⁶⁸ Statistics New Zealand (2007c), p 19.

significant amount of labour, including volunteers, and this may account for the fact that 22% of the volunteer respondents in this survey were from the social services sector.

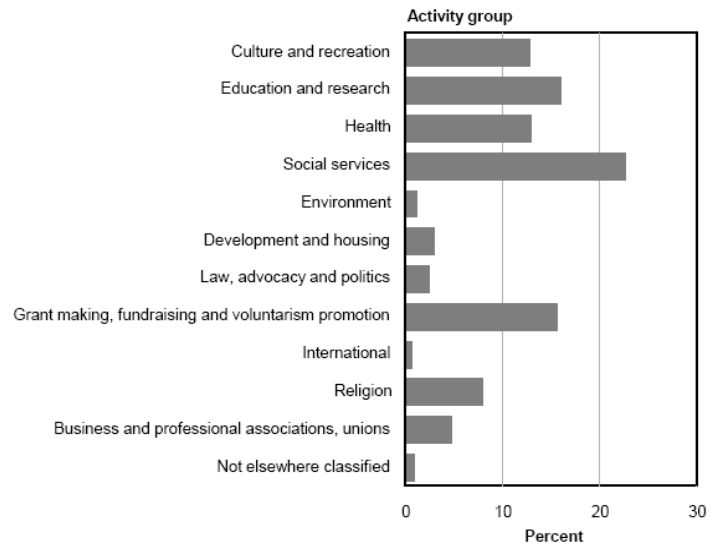
Table 2: Number of employees in NPI by activity group

Table 3: Contribution of NPI (%) by activity group

Number of Employees in Non-profit Institutions
By activity group
2005



Contribution of Non-profit Institutions to GDP
By activity group
2004

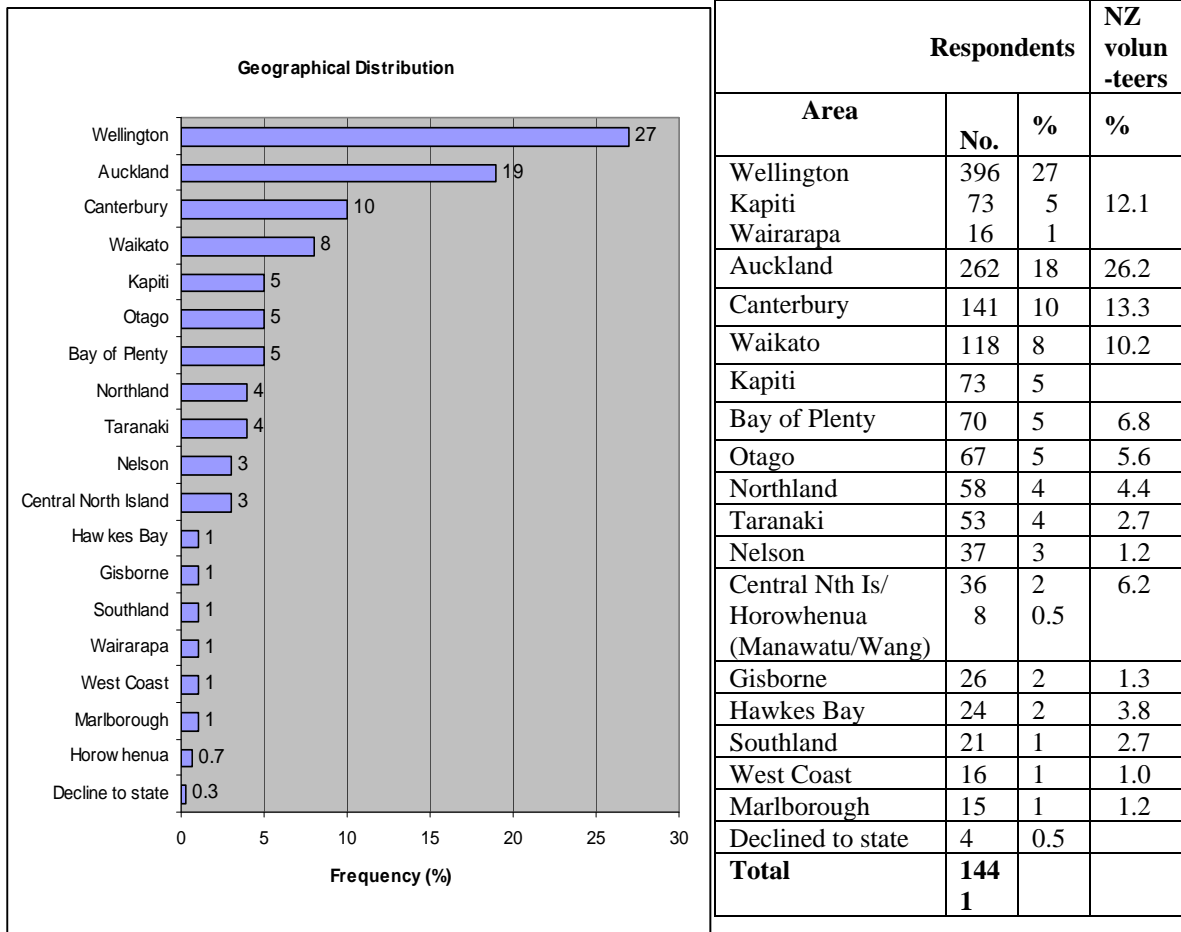


5.5 Geographical location of volunteers

The majority of respondents were from regions with highly populated centres, namely Auckland, Wellington and Christchurch. The study shows that these three regions comprised 56% of respondents. This reflects the fact that it was easier to reach volunteers in large cities. The purposive sampling method had its limitations in reaching volunteers in largely rural areas with low urban influence, as it was dependent on the organisations distributing the survey invitations to their volunteers through regional organisations. The web-based survey questionnaire also had its limitations in reaching rural volunteers without internet connections. The fact that the research took place in Wellington also made it easier to invite and notify Wellington-based organisations and their volunteers. It is clear that respondents from the Wellington were over-represented. Chart 7 shows the geographical spread and relative percentages of individuals from each region who identified themselves as undertaking 'other helping or voluntary work through any organisation, group or marae in the 2006 Census.'⁶⁹

⁶⁹ Statistics New Zealand (2006)

Chart 7: Geographical distribution of respondents



The geographical spread of replies may have some influence on the perceived costs of volunteering as volunteers in rural areas may have been under-represented. Assuming that volunteers in rural areas incur greater costs due to longer travel distances than urban volunteers, this may result in the average travel cost assessed by this survey being lower than the average incurred by all volunteers. The study attempts to delineate rural and urban volunteers by asking questions about travel habits (see section 7.1).

5.6 Limitations

Web-based surveys are limited in that they do not reach volunteers who do not have internet facilities. Although paper-based copies of the questionnaire were made available, the methodology limitations may still under-represent certain groups of respondents, as already indicated.

Nevertheless, the sample characteristics reflect those of the distribution of the 2006 Census in terms of gender and age group. They also reflected the Time Use Survey which showed that the majority of volunteers conducted formal unpaid work for one institution. It should be noted that while the Time Use Survey and the 2006 Census have quite different results in terms of the absolute numbers of volunteers, they have very similar demographic distributions to this survey. Therefore, although limitations may mean certain groups and sectors will be under-represented, these limitations were minimised in this survey.

6.0 Volunteering activity

Questions were included in the survey about volunteer activity. These were to complement the picture of the costs of volunteering as time spent on volunteering may result in volunteers foregoing income. The following issues are examined in this part of the study:

- Frequency of volunteering
- Use of transport
- Distances travelled

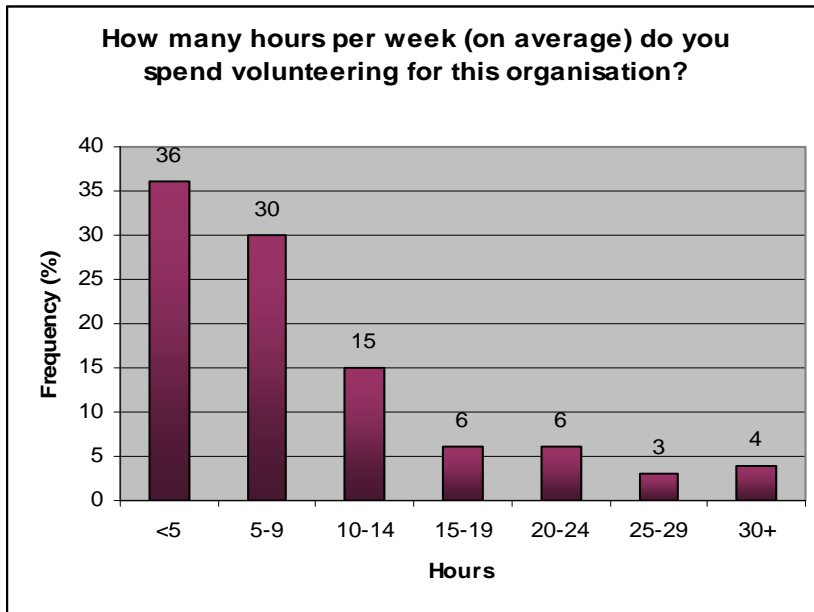
6.1 Frequency of Volunteering

Respondents were asked how many hours per week (on average) they spend volunteering for the organisation they identify with. As evident from **Chart 8**, more than one-third of volunteers volunteer less than 5 hours per week on average (36%) and almost two-thirds of volunteers (64%) volunteer 5 hours or more per week on average. According to the literature, volunteering in New Zealand compares favourably with volunteering in other Anglo-Saxon countries with which New Zealand has shared close ties. New Zealand has the highest average hours volunteered per week per volunteer, has the second highest contribution to GDP of volunteer labour, and is third in the proportion of the population volunteering.⁷⁰ Statistics New Zealand reported that the average hours worked per week per volunteer was 5.1.⁷¹ Consequently, the respondents in this research project may over-represent volunteers who volunteer more hours than the perceived national average.

⁷⁰ Statistics New Zealand (2007c), p 40

⁷¹ Ibid.

Chart 8 : Average number of hours per week spent on volunteering



Hours	No.
<5	545
5-9	455
10-14	227
15-19	98
20-24	90
25-29	41
30+	57
Total	1513

6.2 Use of transport

In considering costs to the volunteer, many volunteers are required to use some mode of transport to conduct their volunteering activities, whether it is to get to their place of volunteering or to carry out volunteering activities. For example, a board member of an organisation may be required to travel to the office to attend a meeting or a volunteer for Meals on Wheels may be required to use their own vehicle to deliver meals to various locations. Volunteers are often required to use their own transport for various reasons in order to perform their volunteering duties.

The position of a volunteer is different to that of an employee in terms of travelling *to and from* their place of volunteering. As discussed in section 3.4, volunteers traveling *to and from* their place of volunteering are not undertaking travel for private gain as an employee traveling *to and from* their place of work does. As this study considers the tax perspective, it was necessary to distinguish the distances travelled *to and from* the place of volunteering and *as part of* volunteering.

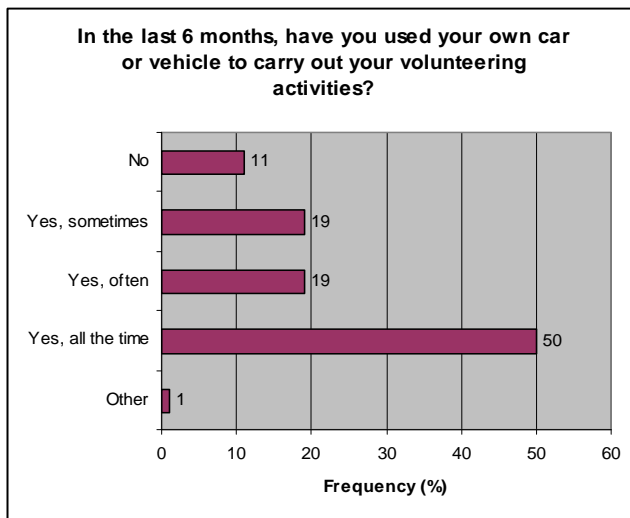
The survey findings concur with the understanding that volunteers incur mileage by travelling both *to and from* and *as part of* their volunteering activities. Almost all respondents (90%) reported using their own car or vehicle to carry out their volunteering activities, with a high proportion of 50% reported 'Yes, all the time'. Of those who reported using their private vehicle, half of them used it to travel *to and from*

and *as part of* their volunteering activities. There were also respondents who mentioned that they car pool with other volunteers.

As shown in **Chart 11**, Public transport was not a popular mode of transport to carry out volunteering activities with 87% of respondents saying that they did not use public transport to travel to and from volunteering activities. It is noted that air travel was used by a number of respondents to attend organisational activities such as training or conferences and that they considered this to be public transport. Pre-testing had not anticipated this and the question did not prompt about air travel specifically.

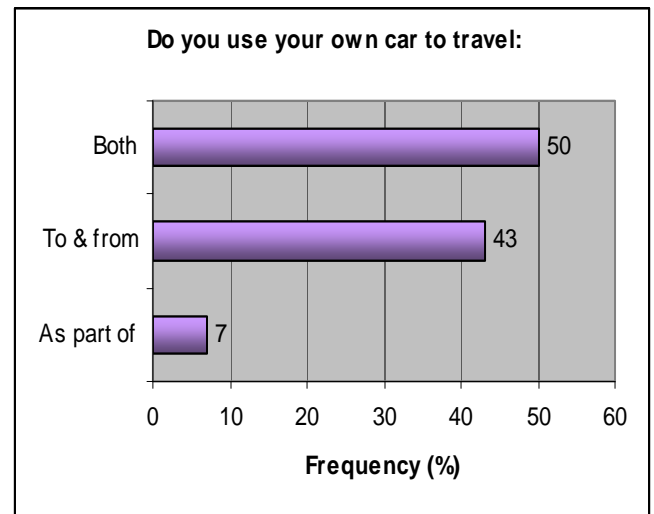
Chart 9: Use of private vehicle

vehicle



No	169
Yes, sometimes	285
Yes, often	294
Yes, all the time	761
Other	8
Total	1517

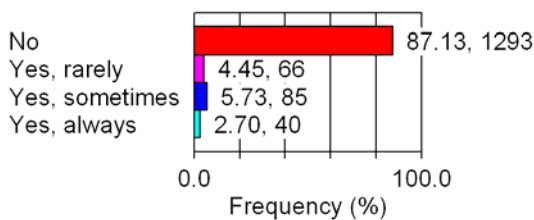
Chart 10: Reasons for using private



As part of	768
To & from	1137
Less both	(677)
Total as part of	1215

Chart 11: Use of public transport

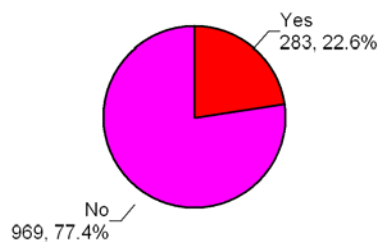
16. In the past 6 months have you used PUBLIC TRANSPORT to travel to and from your volunteering activities?



6.3 Distances travelled

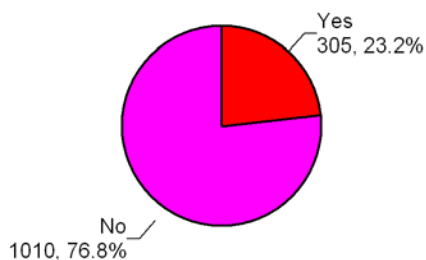
Respondents who used their private vehicle were also asked to estimate the average distances travelled using their private vehicle for volunteering activities in an average month. Travel distances were separated into *to and from* their volunteering activities and *as part of* their volunteering activities. Respondents who used their private vehicle were separated into two groups – those that travelled more than 50kms per journey as a proxy for volunteers who live in rural areas and those that travelled less than 50kms per journey as a proxy for urban dwellers. It was hypothesised that volunteers who live in rural areas would travel much greater distances to carry out their volunteering activities.

Chart 12: Travel distances per journey *to and from* volunteering activities



7. Do you travel 50kms or more on average PER JOURNEY to & from your volunteering activities?

Chart 13: Travel distances per journey *as part of* volunteering activities

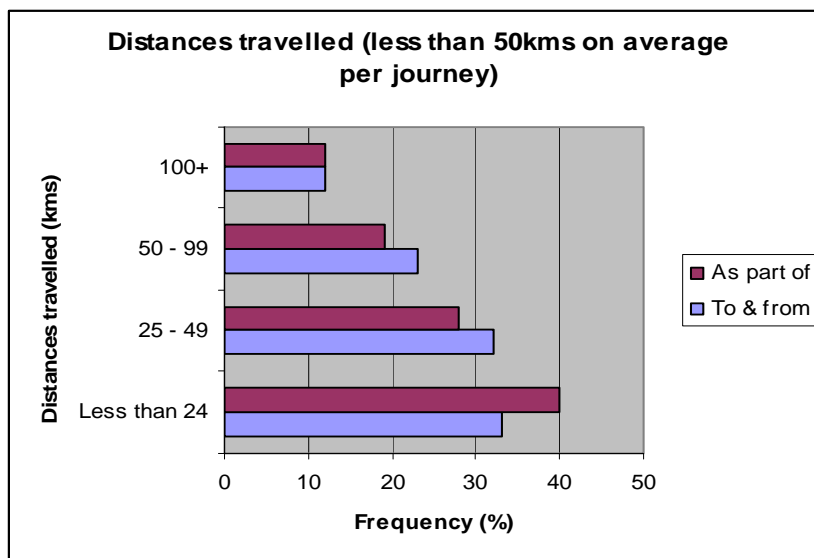


10. Do you travel 50kms or more on average PER JOURNEY as part of your volunteering activities?

Chart 12 and Chart 13 show that majority of respondents travel less than 50 kms *to and from* (79%) and *as part of* (77%) their volunteering activities. One-fifth of volunteers who used their private vehicle, travelled more than 50kms on average per journey. This may reflect the fact that most respondents were located in urban areas of New Zealand and volunteers living in rural areas with greater travelling of distances were under-represented in this survey.

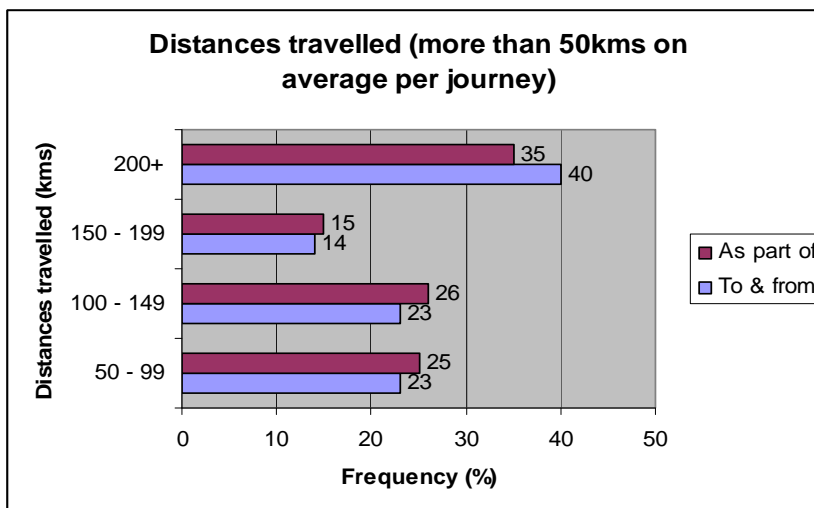
It is clear from **Chart 14** and **15** that respondents who travel more than 50 km on average per journey travel significantly greater distances to conduct their volunteering activities. The bulk of the distances for these respondents were 200 kilometres or more as opposed to respondents who travel less than 50 km on average per journey, where the majority travel less than 24 km on average. This indicates that rural volunteers travel significantly greater distances compared to urban volunteers and therefore incur greater amounts of travel costs. The Australian survey on the costs of volunteering in the Emergency Management Sector Volunteers showed that volunteers in metropolitan and rural locations tended to incur similar levels of cost in terms of both average direct costs and in-kind costs.⁷²

Chart 14: Distances travelled (less than 50kms on average per journey)



	To & from	As part of
Less than 24	317	403
25 - 49	313	278
50 - 99	218	193
100+	117	124

Chart 15: Distances travelled (more than 50kms on average per journey)



	To & from	As part of
50 - 99	67	77
100 - 149	66	80
150 - 199	40	46
200+	115	109

Further analysis also indicated that respondents in the health, religion and sports/recreation sector were more likely to travel 50kms or more on average per

⁷² King, S., Bellamy J. and Donato-Hunt, C. (2006), p 45.

journey as part of their volunteering activities. The analysis excluded sectors which did not have a significant number of respondents answering this question.

7.0 The Costs of Volunteering

In designing this study, it was recognised that financial costs could be incurred in many different ways by volunteers. A goal of the study was to identify the range of the most significant costs along with the range and level of reimbursements. Financial costs were categorised into travel and non-travel.

- **Travel related costs** – these costs are directly related to travelling as part of their volunteering activity or to and from their place of volunteering. The costs identified included petrol, parking costs, and cost of public transport (for example, buses and air travel), vehicle repairs and maintenance costs.
- **Non-travel related costs** – this represented all other costs, excluding travel-related costs, but including volunteers' commitment of their own equipment or other resources to volunteer organisations. Volunteers were asked to estimate the value of such contributions; the extent of the use of their own tools, such as their own phone, stationery, sporting equipment, uniform, protective clothing and monetary resources to pay for training, child minding, food and drinks for organisational activities, membership fees, self-education and other individually identified costs.

In order to estimate volunteers' travel and non-travel related financial costs, respondents were asked to estimate the costs incurred in set categories and were also given the opportunity to identify any other costs. Respondents were also asked details about any reimbursements and the mode of the reimbursements made to them, which offset the costs incurred by them.

All expenses were for the 6 month period immediately prior to the commencement of the survey: ie March 2007 to August 2007. Expenses may fluctuate from year to year depending upon the level of volunteering activity in any given year and it is not possible to control for these events, which vary from service to service and region to region. However, it was understood that six months was a long enough period to allow for some seasonality but short enough for people to recall accurately.

7.1 Travel Costs

Respondents who incurred travel costs from private vehicle use or public transport were asked to estimate those costs in the past 6 months. The weighted-average travel cost incurred to carry out volunteering related work was \$216. This figure is likely to misrepresent the true cost as the average cost is significantly affected by the small proportion of respondents who experienced higher order costs. By comparison with the highest frequency, almost 67% of respondents incur travel cost of less than \$200 as can be seen in **Chart 16**.

Further analysis showed that travel costs for respondents who travelled more than 50kms on average per journey bore significantly more cost as 65% of this group incurred greater than \$200 in travel costs in the 6 month period. This is consistent with the findings that this group of respondents is likely to travel higher mileages than urban volunteers.

The majority of respondents who use public transport to carry out their volunteering activities incur costs of less than \$50 (see **Chart 17**). The cost of using a private vehicle to carry out volunteering activities was significantly greater than the cost of using public transport. However, using a private vehicle to carry out volunteering activities was much more commonly used than public transport.

Chart 16: Cost of using own car or vehicle

13. How much did it cost you to use your OWN car to carry out your volunteering activities (include parking costs) in the last 6 months?

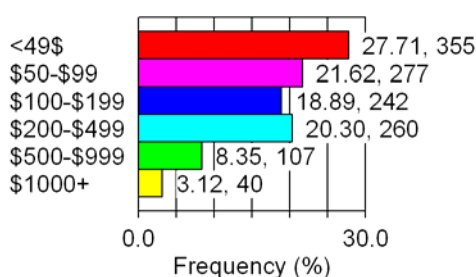
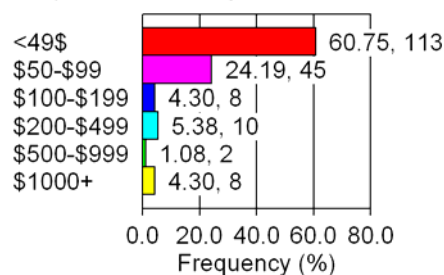


Chart 17: Cost of using public transport

17. In the past 6 months, how much did it cost you to use PUBLIC TRANSPORT to carry out your volunteering activities?



7.2. Non-travel costs

Respondents were asked whether they used their own resources or own equipment (excluding their own car) to enable them to carry out their volunteering activity. Respondents were then asked to select which resources they used from a comprehensive list, and to estimate the costs involved. They were also given an ‘other’ category to include any items that had not already been identified.

Chart 18: Use of personal resources and/or equipment to carry out volunteering activities

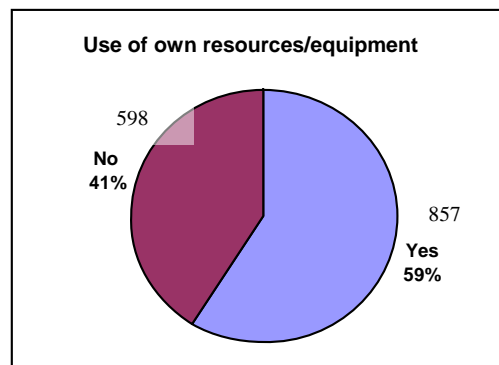


Chart 18 shows that the majority of respondents (59%) said ‘yes’ to using their own resources and equipment to enable them to carry out their volunteering activities. The response rate per item indicates that the most common item of expenditure was: phone (70%), followed by computer and internet costs (60%), food and drinks for organisational activities (45%) and postage and stationery (45%). **Table 4** illustrates these trends.

Table 5 shows individuals’ weighted-average financial costs incurred in using personal tools and resources in the 6 months prior to the survey. Respondents’ greatest costs were incurred across a diverse range of items

in the ‘other’ (excluding travel) category (\$175). It was not possible to relocate any of these into other categories, as the responses included a variety of tools, resources and gifts supplied by volunteers including electronic equipment, gear, resources and teaching materials to carry out organisational activities, prizes and gifts, utilities, computer support, conference costs and accommodation, medical supplies, costs to

Examples of resources and/or equipment used to carry out volunteering activities

“Power and heating.”

“Trophies and medals for award ceremony.”

“Time is a major cost.”

“Loss of wages from paid employment.”

“Time spent emailing, running tournaments.”

“I have to take at least 5 days annual leave every 6 months.”

“Accommodation during conference.”

“Morning teas at café.”

“Food and drink for refugees I’m looking after.”

“Special food for animals.”

“Fabric to make equipment for post-mastectomy patients.”

“Training aids, fitness equipment.”

“Books for prisoners and chaplain.”

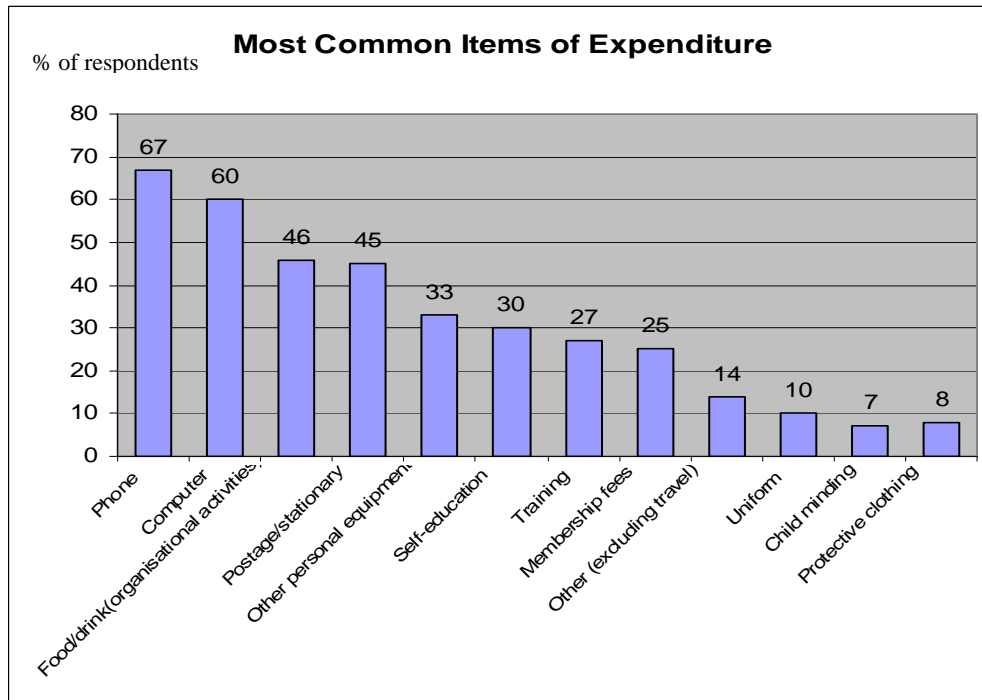
“Dry cleaning protective clothing.”

“Stationery and resources used in teaching sessions.”

“Cell phone charges when contacting patients to arrange pick up times for treatment as they quite often do not have landlines.”

maintain tools and equipment, and supervision support. Volunteers also commented that they had lost wages and used annual leave to carry out volunteering activities (see insert).

Table 4: Most common items of expenditure



Training was the next most costly item (\$142). This was followed by self-education (\$140), child-minding (\$135) and uniforms (\$121). It is likely that negligible financial costs were unreported as it is harder to prompt respondents to recall such expenses. The weighted-average figures represent an estimate based on the data provided.

Table 5: Individuals' weighted-average cost for non-travel expenditures

Item	Weighted Average costs	
	By Occurrence	For all respondents
Postage/Stationery	\$40	\$18
Phone	\$70	\$47
Food/ drink for org. activities	\$82	\$38
Computer/Internet	\$67	\$40
Membership fees	\$84	\$21
Other personal equipment	\$105	\$34
Protective clothing	\$105	\$ 8
Uniform	\$118	\$12
Child minding	\$136	\$10
Self-education	\$139	\$42
Training	\$136	\$37
Other (excluding travel)	\$185	\$25
Total		\$332

7.3 Reimbursements

Reimbursements provided to volunteers lower the financial barriers to volunteering. A number of respondents have questioned whether the reimbursement of volunteers for their services, even minimally, challenges the definition of a volunteer. The survey found that the common ways of reimbursing volunteers include monetary means such as providing a fixed monetary amount based on actual expenses incurred or through non-monetary contributions, such as providing subsidies or discounted services. **Table 6** (below) summarises the different modes of reimbursements made to volunteers by their organisations.

Table 6: Summary of methods for reimbursing volunteers

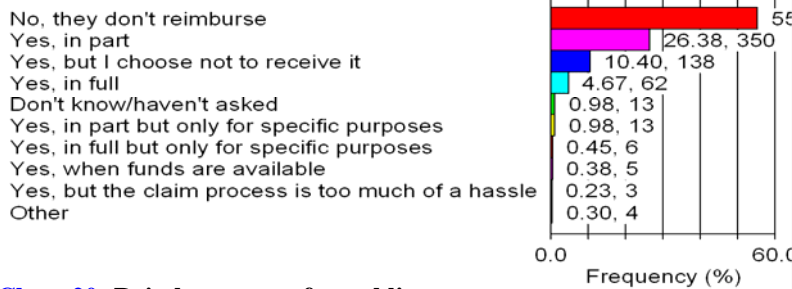
Travel reimbursements		Non-travel reimbursements	
Monetary	Non-monetary	Monetary	Non-monetary
<ul style="list-style-type: none"> • Reimbursement based on mileage e.g. 40 cents per kilometre. • Reimbursement based on actual cost e.g. payment for air tickets. • Lump sum payment e.g. a \$50 year end payment for travel expenses. 	<ul style="list-style-type: none"> • Subsidised travel e.g. petrol vouchers and bus tickets. 	<ul style="list-style-type: none"> • Reimbursement based on a proxy e.g. \$5 per volunteering event. • Reimbursement based on actual cost (proof of receipts required) e.g. purchase of stationery. • Lump sum payment e.g. \$50 year-end payment as a coach. 	<ul style="list-style-type: none"> • Gifts or incentives e.g. morning tea, gift hamper. • Discounted services • Replacement of tools or resources used.

7.3.1 Reimbursements of travel costs

Chart 19 shows that over half (55%) of the respondents indicated that reimbursement was not available for the travel costs incurred. About one-fourth of respondents (26%) said that reimbursement was available but covered only part of the actual travel costs incurred. Approximately 10% of the respondents said they did not feel the need to claim a reimbursement. Only 1% of respondents said that reimbursements fully covered their travel costs incurred. Likewise for public transport costs, 64% of respondents indicated that they were not reimbursed for such cost. More respondents were reimbursed fully for the cost of using public transport than were for the use of private vehicles. Although total reimbursement for public transport was lower, receipts may be easier for volunteers to produce for public transport and therefore to substantiate their expenses.

Chart 19: Availability of reimbursement on travel costs

14. Does your organisation reimburse you for any of your travel costs using your OWN vehicle (exclude any honararium payments)?



Reimbursement for travel

“Yes, paid a mileage rate of \$0.62 per km.”

“Only for weekend away training sessions.”

“Can be reimbursed if travelling outside own fire dis

“If the group has enough money you can get it reimbursed.”

“Monthly \$10 petrol voucher.”

“Only for courses or approved meetings.”

“\$5 travel for every 4 hours worked”

“\$100 per year”

“\$5 for every shift.”

“I use it as a form of donation.”

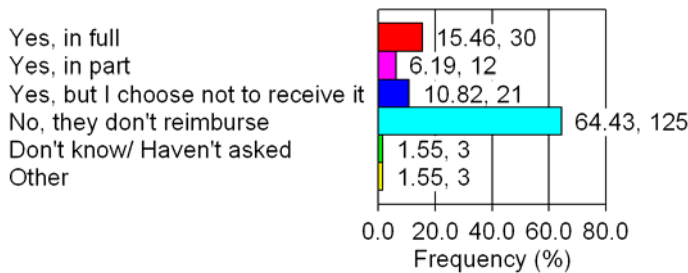
“Some activities are reimbursed, but often do not apply.”

“They pay all air fares directly.”

“Yes, but make it difficult to claim.”

Chart 20: Reimbursement for public transport costs

18. Does your organisation reimburse you for any of your PUBLIC TRANSPORT costs (exclude any honararium payments)?



Respondents who received reimbursements were also asked to indicate the methods by which they were reimbursed. The majority of respondents indicated that a monetary amount based on mileage was the most common way of reimbursing travel costs (60%). A significant number of respondents were reimbursed with petrol vouchers (21%), followed by a fixed monetary amount e.g.

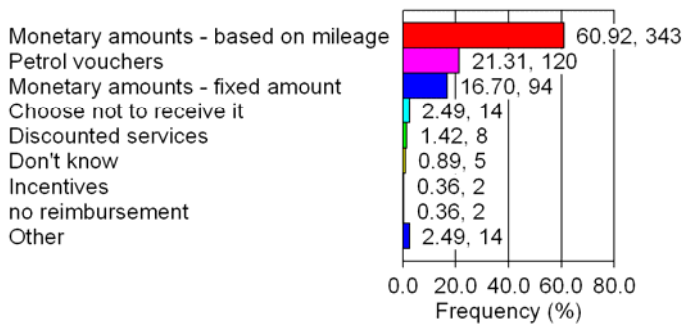
\$5 per trip (16%). Likewise, public transport costs were most commonly reimbursed by fixed amounts (e.g. \$10 per training attended or based on mileage).

Chart 21 and **Chart 22** indicate the methods of reimbursement.

Some respondents noted that reimbursement of travel-costs was only available under certain circumstances; for example, when long distance travel required for them to carry out their volunteering activity (see insert). Reimbursements were not available to all volunteers or for all volunteering activities and seemed to be limited to certain volunteers or for certain events, such as training or meetings. No distinct reimbursement pattern emerged.

Chart 21: Methods of reimbursing travel costs

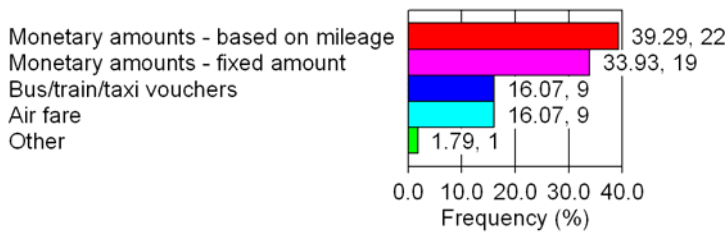
15. How are you reimbursed for travel costs using your OWN vehicle? (You can select more than one)



* Note: Multiple answer percentage-count totals not meaningful.

Chart 22: Methods of reimbursing public transport cost

19. How are you reimbursed for PUBLIC TRANSPORT costs? (You can select more than one)



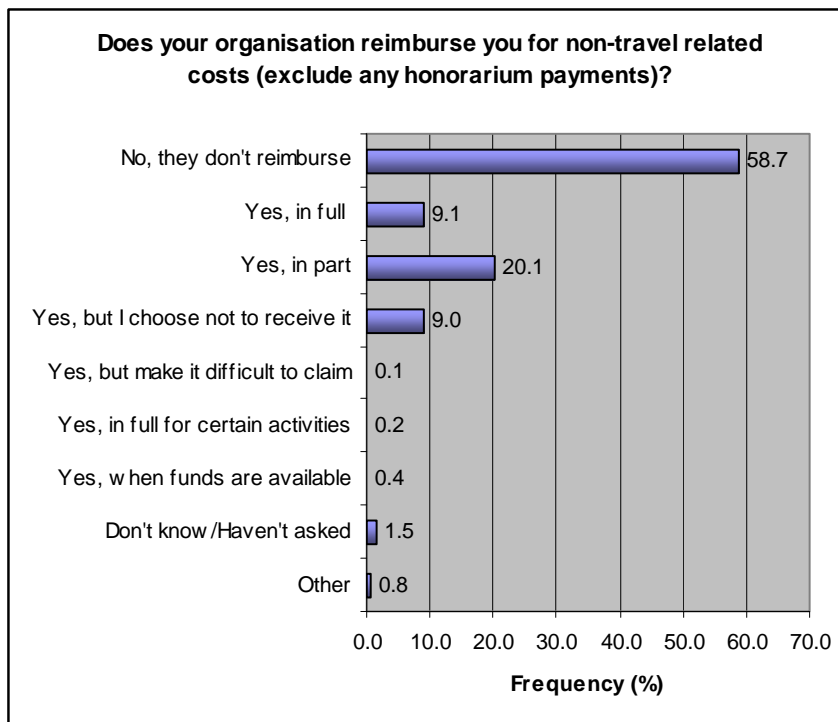
* Note: Multiple answer percentage-count totals not meaningful.

7.3 2 Reimbursements for non-travel costs

Respondents who used their own tools or resources to enable them to carry out their volunteering activities were also asked if they received any reimbursement. Again, the majority indicated that there are no reimbursements were made for non-travel related costs (58%). Partial reimbursement was received by 20% of respondents and 10% received full reimbursement. **Chart 23** shows that reimbursements were not made for all claims. A number of respondents also said that they were only reimbursed when funds were available; otherwise their claim was likely to be rejected.

The data suggests that reimbursements for travel and non-travel costs often overlap. If an organisation did not have specific procedures or processes in place, reimbursements were usually provided to relieve the volunteer for expenses incurred in carrying out their volunteering activity, but these were not delineated into travel and non-travel costs.

Chart 23: Reimbursements for non-travel related costs (excluding honorarium)

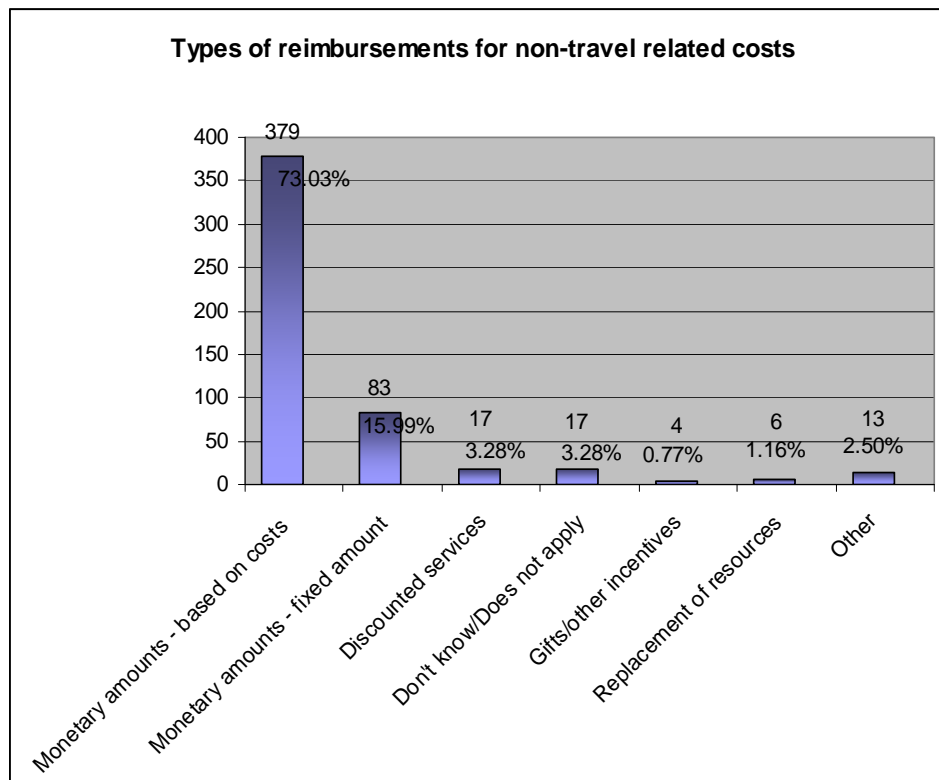


838

Chart 24 shows that of those who received reimbursements for non-travel expenses, most respondents were reimbursed on the basis of actual costs (73%) incurred. The next most common method of reimbursement was fixed amounts, such as a fixed amount of ‘koha’⁷³, \$5 for every shift, or a \$200 lump-sum annual payment. Other examples of reimbursement include receiving a discount for the organisation’s services, replacement of goods e.g. photocopy paper, ink, vouchers and gifts or incentives, such as meals paid for by the organisation.

⁷³ Koha is a special gift, or sharing of one’s wealth. There is an expectation that something will be given in return in the future, or was given in the past.

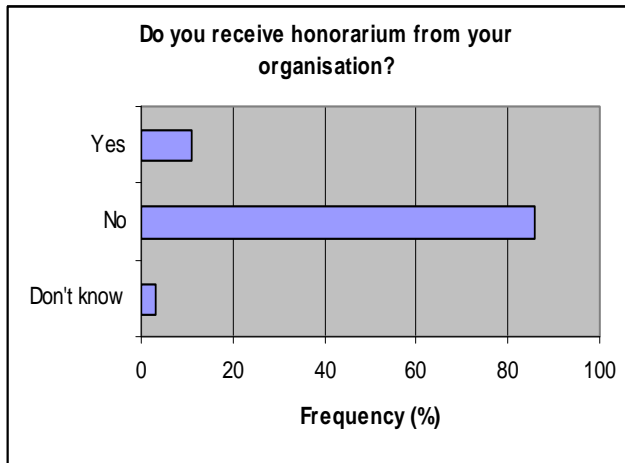
Chart 24: Types of reimbursements of non-travel related costs



7.3.3 Honoraria

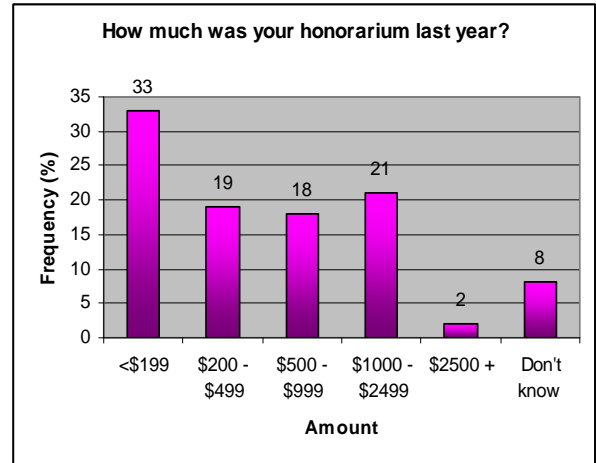
As previously noted, the definition of an honorarium and its distinction from a reimbursement is not clear under the current tax laws. **Chart 25** shows that only 10% of respondents indicated that they received honoraria. The low number of responses may be because volunteers were not aware that they were receiving an honorarium unless it had been made clear by their organisation and the honorarium was subjected to withholding tax. The dollar value of honoraria is presented in **Chart 26**. The weighted-average amount of honorarium was \$702. This figure is likely to be affected by the small proportion of respondents receiving higher levels of honoraria. The accuracy of the weighted average may also be affected by smaller amounts of honoraria being under-reported which could be caused by the ambiguity surrounding the definition of the payment resulting in an upward bias. **Chart 27** demonstrates that the majority of honoraria paid did not cover the volunteer's costs. There was no significant relationship between the dollar value of the honoraria and whether it covered the volunteer's costs.

Chart 25: Honoraria payments received



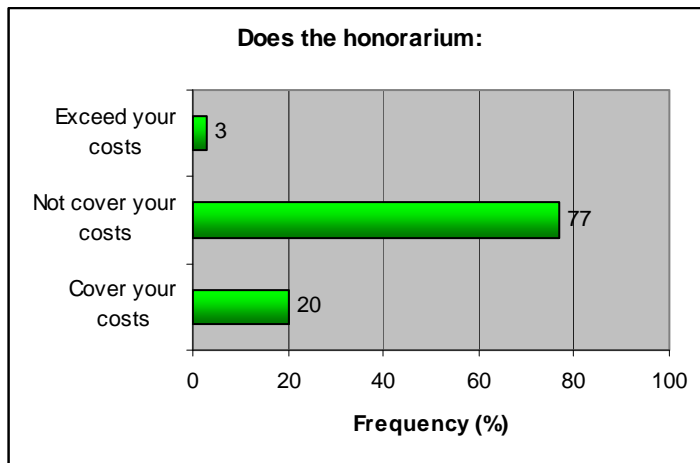
Answer	Counts
Yes	175
No	1230
Don't know	40
Total	1430

Chart 26: Amount of honoraria



Answer	Counts
<\$199	57
\$200 - \$499	33
\$500 - \$999	31
\$1000 - \$2499	36
\$2500 +	4
Don't know	14
Total	175

Chart 27: Honoraria and cost



Answer	Counts
Exceed your costs	5
Not cover your costs	126
Cover your costs	29
Total	160

8.0 Costs and the behaviour of volunteering

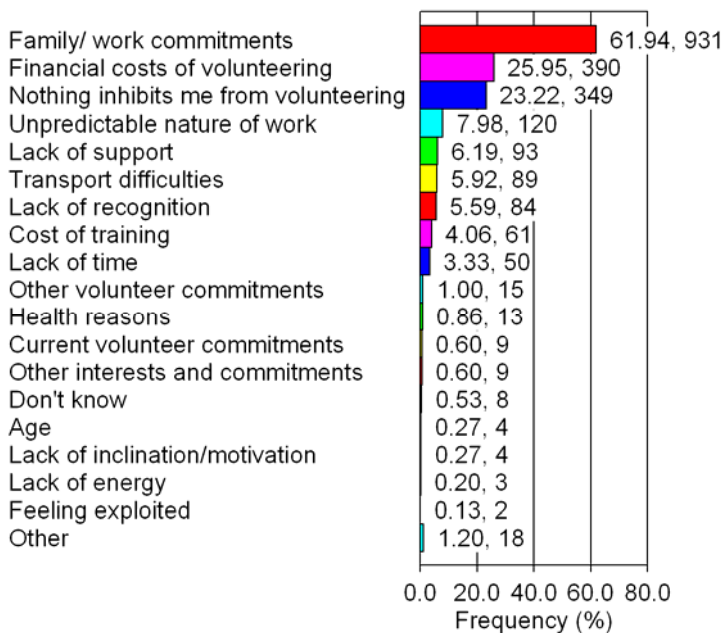
8.1 Factors inhibiting volunteering

Respondents were asked what factors might inhibit them from volunteering more frequently, including the costs involved in volunteering. A summary of responses is

presented in **Chart 28**. This information is helpful in gauging an understanding of barriers to volunteering. A significant number of respondents (23%) did not consider that there were any such factors. These findings support research into motivations for volunteering as the most common reasons were those centred on altruism – that is, providing a service to the community.⁷⁴ These people tended to be motivated by personal satisfaction and the opportunities for social interaction⁷⁵. For the remainder, however, the most serious barriers to further volunteering were family/work commitments (62%).

Chart 28: Factors inhibiting further volunteering

3. What stops you from from volunteering more frequently?
(You may select more than one).



* Note: Multiple answer percentage-count totals not meaningful.

Factors inhibiting further volunteering

“The cost of gas, loss of wages.”

“Special legal processes of the Environment Court.”

“Workload imposed for main volunteering I do.”

“Cost of fuel, parking and childcare.”

“Un co-operative employer.”

“Undervalued and high expectations.”

“Exploitation, I feel that I am being taken for granted.”

“Health issues.”

“Lack of time: hours spent preparing as well as actually being there.”

Costs were viewed as a significant barrier to further volunteering by 25% of respondents. They were viewed as more of a significant barrier amongst respondents from this survey than the Australian study conducted on the cost of volunteering in the emergency management sector (12%).⁷⁶ This percentage may reflect the much higher proportion of wage and salary earners among respondents in that survey who could be constrained by time rather than finances.

⁷⁴ Soupourmos, F. and Ironmonger D. (2002) *op cit*, p75.

⁷⁵ Ibid

⁷⁶ Ibid footnote no. 39

Overall, other than family and work commitments proving to be a significant barrier, there was a wide variety of other factors inhibiting volunteering, including lack of time, the unpredictable nature of work, health reasons, lack of support from employers or the organisation, transport difficulties, other volunteer commitments, the lack of recognition, the feeling of being exploited, the legal processes involved, other interests and commitments.

8.2 Impact of costs on volunteering

Respondents were also asked near the end of the survey, whether their travel and non-travel costs affected their ability to volunteer or made it more difficult to volunteer more. Once again, the majority of the respondents indicated that the current cost of volunteering would not change their volunteering behaviour (74%). Nevertheless, 21% of respondents indicated that their volunteering behaviour would change due to costs, with the most likely action being a reduction in participation (10%). Cost do not seem to be a likely factor in volunteers leaving their organisation but volunteers would, to a certain extent change their volunteering behaviour in order to fit their budget. As one volunteer noted, *“I’ve had to change what I do to fit my budget – it is the quality and client experience that suffer.”* (also see insert). In the long term, it is the organisation and clients that suffer if costs become an increasing barrier to volunteers.

Impact of costs on volunteering

“My volunteering will continue, but costs is becoming prohibitive.”

“I’ve had to change what I do to fit my budget – it is the quality and client experience that suffers.”

“I am considering asking for reimbursement due to rising costs.”

“I would feel greatly acknowledged if I was reimbursed.”

“At one stage my husband said he would leave me if I didn’t stop spending money we couldn’t afford on the organisation, e.g. \$2,000 a year on bus fares.”

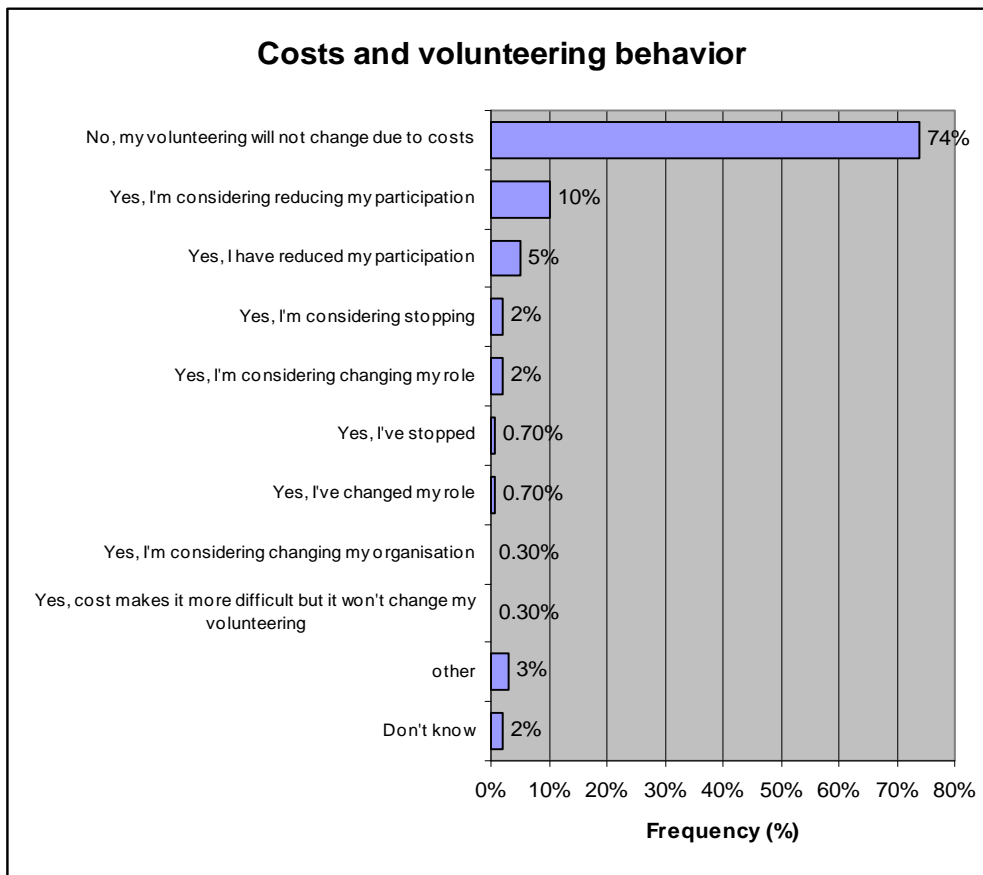
“No, however these costs have caused tension at home.”

“I enjoy volunteering but resent the large financial impact it has on my life.”

“I would dearly like to give up my role but no one will take it on and I don’t want the Society to fold because of me!”

“I had to change the program for my girls as a result of not enough money.”

Chart 29: Impact of costs on volunteering



9.0 A profile of volunteer organisations

A profile of volunteer organisations was also developed to ensure comparability between individual volunteers and the volunteer organisations. Hence, the questions asked were similar and the issues of costs, reimbursement and impact of costs on their volunteers were examined. This part outlines the characteristics of the organisations in relation to:

- Sector
- Number of volunteers

9.1 Sector

Volunteer organisations that dominated the total respondents were sports and recreation (19%), community/development/housing/employment and training (17%), education and research (16%), emergency/social services (17%) and health (13%). The limitations of using purposive sampling resulted in minority sectors, such as government and religion, being under-represented. As such, the survey cannot make any sector specific conclusions from the environment, law/justice, religion and

government sectors due to insufficient number of organisations surveyed. Nevertheless, the sample collected generally reflects that of the spread of voluntary organisations collected by Statistics New Zealand according to activity (See **Table 7**) with sports and recreation being the top sector (45%), followed by social services (12%), religion (12%) and development and housing (7.8%).

Table 7: Number of organisations according to sector

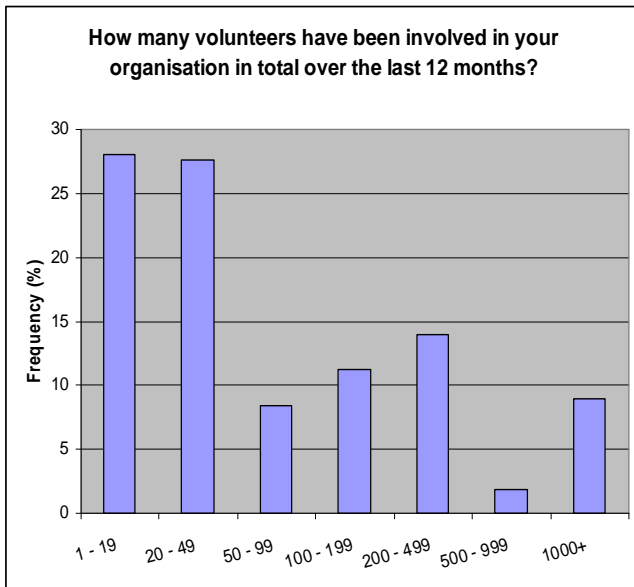
Sector	This survey		Statistics Zealand ⁷⁷	New
	%	Counts	Number	%
Sports/recreation	19	42		
Arts/Culture	5	10		
Culture, sports and recreation			43,220	44.6
Education/Research	16	35	7,400	7.6
Health	13	30	2,210	2.3
Emergency/Social Services	17	36	11,280	11.6
Environment	2	4	1,310	1.4
Community/Development/Housing /Employment & Training	17	36	7,580	7.8
Law/Justice	2	4	2,500	2.6
Grant making/fundraising and volunteerism promotion	2	5	610	0.6
International			300	0.3
Religion	3	8	9,890	10.2
Business and professional associations, unions			3,130	3.2
Government	2	4		
Other	1	2		
Don't know/not classified elsewhere	1	2	7,560	7.8
Total	100	218	97,000	100

9.2 Number of volunteers

The weighted-average number of volunteers within the volunteer organisations identified was 185. This figure is likely to be affected by a handful of large national organisations reporting a higher number of volunteers. The different types of organisations and their hierarchy may also affect the weighted-average figure due to the overlapping reported figures between the national and regional agencies. The summary is shown in **Chart 30**.

⁷⁷ Statistics New Zealand (2007), p 14.

Chart 30: Number of volunteers per organisation over the last 12 months



Answer	Counts
1 – 19	60
20 - 49	59
50 - 99	18
100 - 199	24
200 – 499	30
500 - 999	4
1000 +	19
Total	214

10.0 Volunteers’ travel and non-travel contributions

Consistent with the findings in the volunteer’s survey, a majority of voluntary organisations indicated that they required their volunteers to use their private vehicle to carry out their volunteering activities was common, with 40% requiring all of their volunteers to use their private vehicle. Travelling *to and from* their volunteering role was also the most common reason for the use of private vehicles.

Chart 31: The use of volunteers’ private vehicles

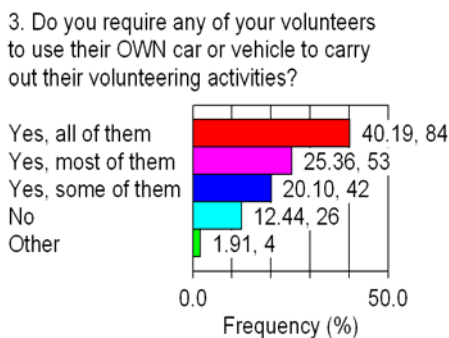
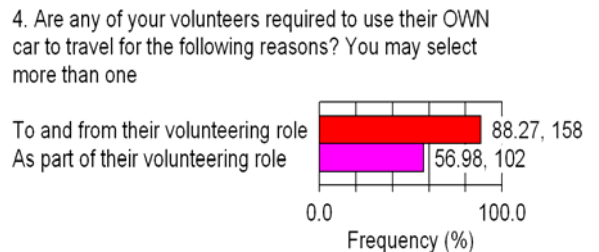


Chart 32: Reasons for the use of volunteers’ private vehicles



* Note: Multiple answer percentage-count totals not meaningful.

11.0 Reimbursements from organisations

The volunteer’s survey analysed the value and range of reimbursements, and found that the majority did not receive reimbursements for costs and the value of reimbursements did not cover costs. Volunteer organisations were asked if reimbursement was made available to their volunteers for travel-related and non-travel-related costs and for the breakdown of these. Organisations were also asked to provide the average amount reimbursed per volunteer for all expenses in the last available 12 months.

11.1 Reimbursements for travel-related costs

The majority of voluntary organisations indicated that they reimbursed their volunteers either in full or in part for travel related costs (53%). In addition, 42% of organisations did not reimburse their volunteers. Reimbursement for fuel was the most common type of reimbursement provided for travel related costs (90%). Further analysis also showed that 83% of organisations that required their volunteers to use their private vehicle reimbursed them for travel costs.

Chart 33: Organisations reimbursing for travel related costs

5. Does your organisation reimburse volunteers for their TRAVEL related costs?

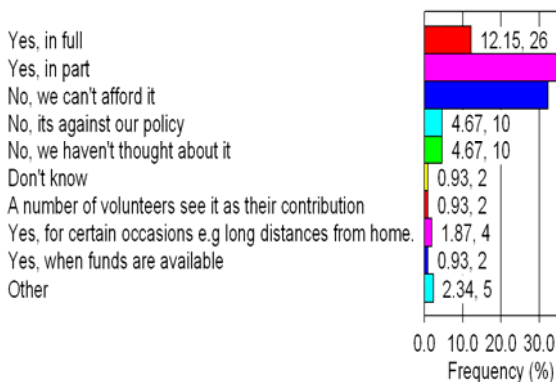
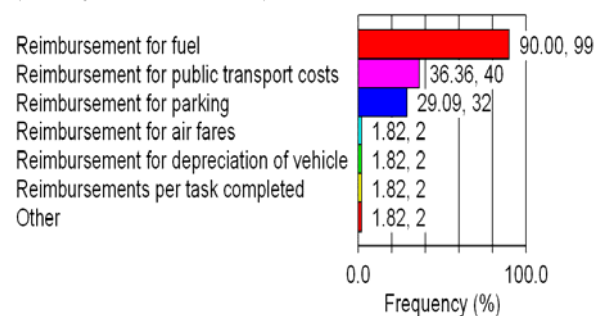


Chart 34: Types of travel costs reimbursed

6. What sort of reimbursements have you made for TRAVEL costs (include petrol and public transport costs) to volunteers? (You may select more than one)



* Note: Multiple answer percentage-count totals not meaningful.

The exact reason for the difference between the survey responses made by organisations and volunteers in relation to travel reimbursement (see **Chart 19** and **Chart 33**) cannot be determined. One reason could be that volunteers are more aware about their personal costs incurred. Therefore, they are more likely to perceive that they are not being reimbursed for these costs. Another reason could be that volunteers are unaware that they can be reimbursed or may not see the need to inquire for reimbursement.

11.2 Reimbursements for non-travel related costs

Similar to reimbursement of travel costs, the majority of volunteer organisations indicated that they reimbursed their volunteers for their non-travel related costs at least in part or in full (55%). About one-third (32%) said they were unable to afford it. Voluntary organisations were asked if they provided reimbursement for items and resources. They were given the “not applicable” option for items or resources which were not relevant to their activity or sector. Of the various items and resources used, training costs was the most likely cost to be reimbursed (84%), followed by postage/stationery (80%) and food and drink for organisational events (60%). Child minding and computer/internet costs were the two expenses which are most likely to not be reimbursed.

Chart 35: Organisations reimbursing for non-travel related costs

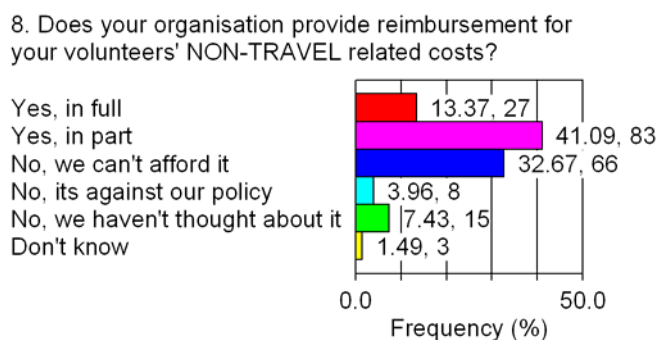
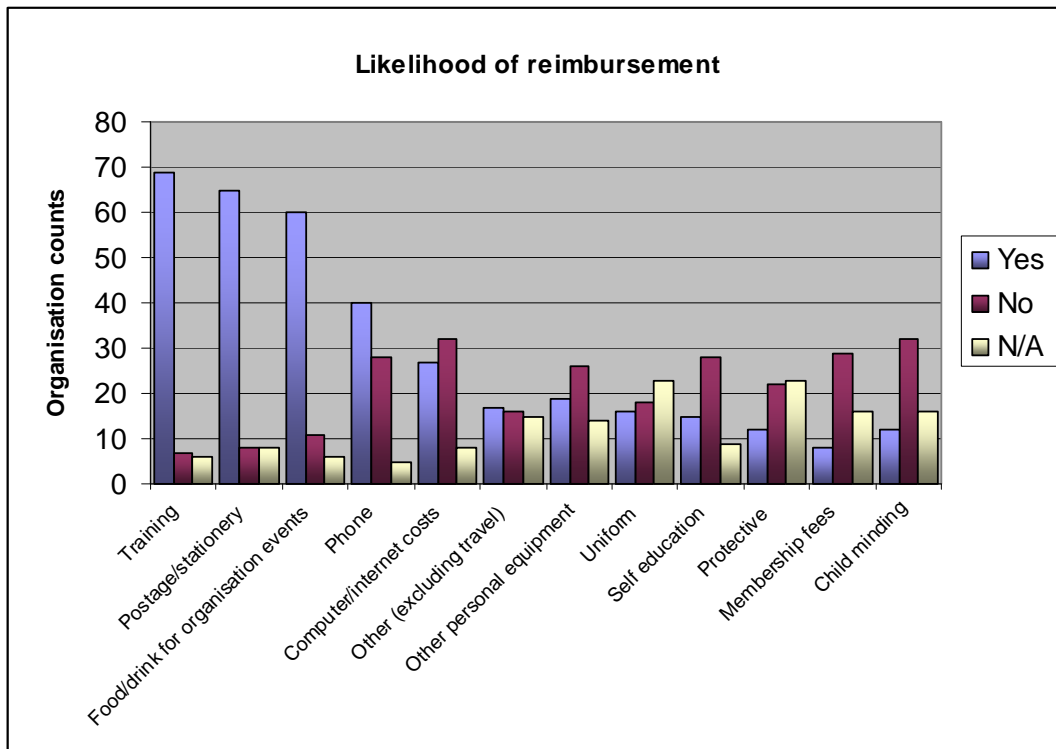


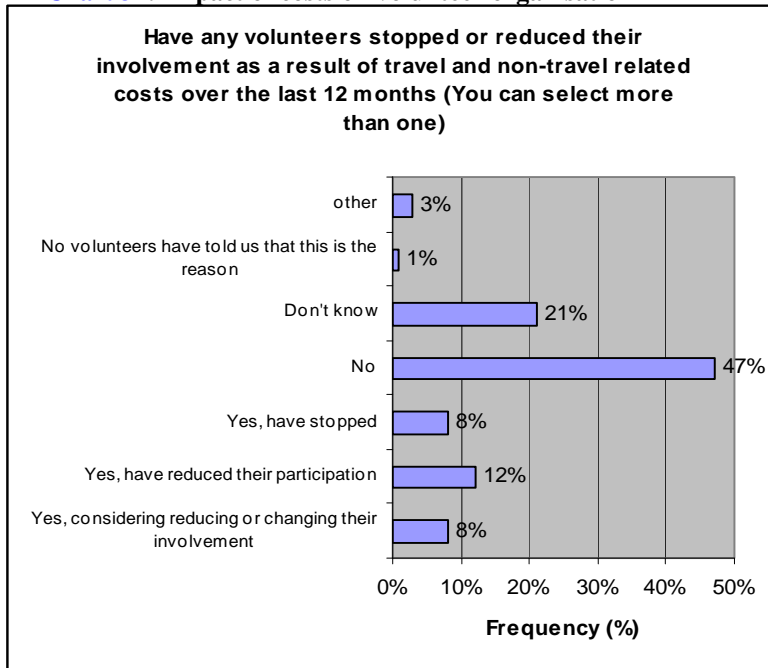
Chart 36: Likelihood of items being reimbursed



12.0 Impact of costs on the organisation

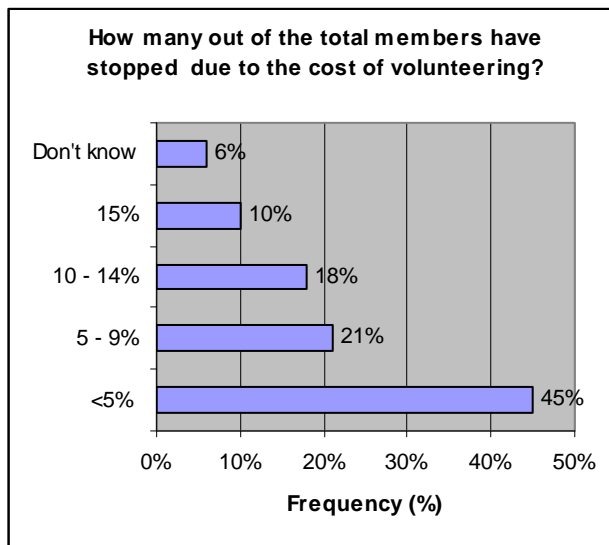
Chart 37 demonstrates that costs were not seen as a likely reason for volunteers to stop or reduce their volunteering in organisations (47%). This is comparable to the findings from the volunteer’s survey (see chart 29). However, 28% of organisations identified that costs have either caused their volunteers to stop, reduce their participation or consider reducing or changing their involvement. The majority of those organisations have indicated that less than 10% of the total volunteers have stopped due to costs (67%).

Chart 37: Impact of costs on volunteer organisation



Answer	No. of respondents
Other	5
No volunteer have told us that this is the reason	2
Don't know	37
No	83
Yes, have stopped	14
Yes have reduced their....	21
Yes, considering reducing...	15
Total counts	177

Chart 38: Percentage of volunteers stopping due to costs



Answer	Counts
<5%	23
5% - 9%	11
10% - 14%	9
15% +	5
Don't know	3
Total counts	51

13.0 Conclusion and summary

13.1 Summary of all identified costs and reimbursements

The purpose of this research has been to identify travel and non-travel related costs associated with volunteering across sectors and the level and range of reimbursement available. This information will be used to formulate submissions which address the current taxation problems identified in the IP From the preceding analysis the following overall average costs have been identified for those who participated in the survey:

Non-travel costs were identified by taking into account the weighted-average of all the activities indicated. There were additional costs depending upon employment status, such as annual leave and leave without pay, but the study does not take these into account. Costs were also calculated based on the weighted-average method due to the usage of categorical response instead of asking for a specific numerical figure. This was done to simplify the response to induce a greater response rate. However, it is acknowledged that a categorical response may limit the ability to analyse the data by limiting the range of statistical tools that can be used to analyse the range of responses.

13.2 Discussion

- The **weighted-average travel related cost per respondent** for the period March 2007 to August 2007 (6 months) was **\$215**.
- The **weighted-average non-travel cost per respondent** for the period March 2007 to August 2007 was **\$332**.
- Therefore, **the combined weighted-average** of both **travel and non-travel costs** that respondents are likely to have incurred was **\$568**.
- The **average 6 monthly reimbursement per volunteer** for all expenses across all organisations was **\$23**.⁷⁸
- The total *travel and non-travel costs* per respondent (\$547) **exceed** the *average reimbursements* (\$23). Reimbursements only cover **4%** of the total costs.
- The **weighted-average amount of honoraria** was \$702.
- The majority of respondents indicated that the costs exceed the amount of honoraria received.

⁷⁸ The 12 months finding (\$46) was divided by two to estimate a 6 monthly figure and includes organisations that reimburse as well as those that don't reimburse.

The survey findings demonstrate that there are financial costs associated with volunteering. It is not an activity free of costs and the overall costs to volunteers are significant when travel costs and in-kind contributions are all taken into account. This excludes employment costs and the contribution of time which the study did not set out to measure. It could be argued that the personal costs of volunteering, especially travel costs, tend to discriminate against volunteers in the rural regions. Ironically, rural areas often need more volunteers because of lower population density and greater distances to amenities.

The survey also found that approximately 52% of organisations indicated that they reimburse their volunteers for the costs involved. Similarly, there are volunteers receiving some form of reimbursement for travel and non-travel expenses incurred. However, the majority of the respondents (65%) were not being reimbursed for their costs either because reimbursements are not offered, or the volunteers have chosen not receive them. Overall, the study shows that the amounts being reimbursed are small and the costs incurred are greater than the reimbursements or honoraria paid in the voluntary sector. This suggests there is not an element of “income” to be taxed in this sector.

What is clear from this study is that volunteers are not being reimbursed by a single method but are being reimbursed in different ways, under different circumstances, mainly for travel by way of in-kind contributions. The methods and reasons for reimbursement reflect the diversity of the sector, which has a primary objective to contribute to society, not to make a profit. Reimbursements are made when funds permit, to acknowledge the volunteers contribution and to assist in reducing the barrier of cost to volunteering. Most voluntary organisations are small, with the exception of a few large national organisations.⁷⁹ Due to their already stretched resources, they are unlikely to have an extensive system of reimbursement and maintain records which are features of the for-profit sector.

We cannot tell from this study whether the costs of volunteering present a barrier to volunteering among those who are currently not volunteers. However, what is clear from the study is that the willingness of respondents to bear such costs as part of their volunteer commitments overrides the potential impacts of such costs on the level of volunteering. Nevertheless, the 18% of respondents who said that costs of

⁷⁹ Statistics New Zealand (2007a).

volunteering had affected their ability to volunteer or made it more difficult to volunteer more is a cause of concern. This is a sign that the current system is very dependant upon the goodwill of volunteers. The limits of this goodwill are unknown, which makes it all the more important that government closely assesses the kinds of costs outlined here and clarifies the current uncertainty of tax treatment to minimise any potential disincentives for volunteering. Ultimately, the costs of volunteering will have a greater impact on organisations if volunteers reduce their participation, thus affecting the quality of voluntary services provided. In the end, it is the New Zealand community dependant upon the voluntary sector that suffers.

The current tax treatment and compliance costs associated with honoraria are a disincentive for volunteers. The survey found clear evidence that most honoraria do not exceed the actual costs. The lack of clarity between reimbursements and honoraria subjected to withholding tax places further pressure on organisations to comply with the current law. Subjecting honoraria to withholding tax when it does not exceed costs also raises an equity issue.

The November 2007 Issues Paper highlighted that the current uncertainty of tax treatment and the costs of complying correctly with the law were two potential disincentives for volunteering.⁸⁰ It also commented that the review in this area of tax law was considered long overdue and the feedback called for the government to take urgent action on this matter to ensure that the legal framework and requirements are clarified and simplified.⁸¹ Unless there is greater clarity on this matter, the current income tax legislation is likely to be a disincentive for volunteers who are currently receiving reimbursement. The problem is likely to escalate if the costs of volunteering increase and organisations are pressured to provide reimbursements to their volunteers.

⁸⁰ Inland Revenue Policy Advice Division (November 2007), para 1.4, p1.

⁸¹ Ibid 33, para. 5.8, p 31.

13.3 Strategies for improving the current tax treatment of reimbursements and honoraria

The current tax problems have been identified by the IRD and the Government. However, no solutions have been suggested in the November Issues paper⁸². A range of options was outlined and submissions invited from interested parties. The findings in this research support the following three recommendations, that:

- the term ‘volunteer’ be defined for the purposes of reimbursement and honoraria.
- all reimbursement payments be exempted from tax.
- all honoraria that is not connected to the volunteer’s income-producing activities be exempted from tax.

13.3.1 Defining a ‘volunteer’

Chapter 3 of the IP deals with the question of defining a volunteer in a way which recognises the diversity of the voluntary sector. The range options canvassed included distinguishing between “formal” and “informal” volunteering, and linking the definition to an individual who is associated with a registered charity.

One of the major criticisms of the ITA is that it does not recognise the unique position of volunteers in terms of receipts of funds as a result of volunteering activity. An amendment is required to distinguish a volunteer from an independent contractor and an employee. The three elements identified above would achieve this objective. It was surprising the IP did not refer to a recent document issued by the Australian Taxation Office in March 2005 which clearly articulates the position of volunteers in terms of receipts of funds as a result of volunteering activity.⁸³

A good starting point would be to adopt for tax purposes the definition of a “volunteer” contained in section 6 of the Employment Relations Act 2000. That definition specifically excludes volunteers who do not expect to be rewarded for work to be performed as a volunteer; and receive no reward for any work performed as a volunteer. The definition could be modified to contain the following three features:

- That there is no net financial gain for the work performed.
- That the notion of “altruism” is recognised.
- That the activity of the volunteer produces a benefit to the community.

⁸² Inland Revenue Policy Advice Division (November 2007)

⁸³ Australian Tax Office (2005)

13.3.2 Tax exempt volunteer payment

A payment is a reimbursement for tax purposes when the payer considers the expenses to be their own cost and the recipient incurs the expenditure on behalf of the payer. Reimbursements for all or part of the use of personal assets or for expenses incurred while carrying out the organisation's activities should not be assessable income. Reimbursements paid to volunteers should not be treated in the same manner as employees because the volunteer's position is different to that of an employee. Issues surrounding the private element in relation to reimbursement of an employee are not applicable in the case of a volunteer. Secondly the survey clearly demonstrates that the current level of reimbursement only covers **four percent** of the actual costs. For these reasons there is a strong case for exempting from income tax all reimbursement payments of expenses incurred by volunteers. A safeguard to limit the risk of abuse would be to link the exemption to volunteers serving registered charities only, i.e. individuals volunteering for a charitable organisation registered under the Charities Commission or a similar monitoring agency such as national organisations like SPARC (Sports and Recreation New Zealand).

Exempting all volunteers' reimbursements is consistent with the Australian Taxation Framework. As a general rule, volunteers do not have to pay tax on payments or benefits they receive in their capacity as volunteers. Whether a payment is assessable income in the hands of a volunteer will depend on the nature of the payment and the recipient's circumstances. A requirement that the recipient vouch expenses lends weight to a presumption that a payment is a reimbursement. A requirement that the recipient refunds unexpended amounts adds further weight to that presumption.

According to the Australian framework, a payment to a volunteer that is not assessable will have many of the following characteristics:

1. the payment is to meet expenses incurred or expected to be incurred.
2. the payment has no connection to the recipient's income-producing activities or services rendered.
3. the payment is not relied upon or expected by the recipient for day-to-day living.
4. the payment is not legally required or expected.
5. there is no obligation on the part of the payer to make the payment, and

6. the payment is a token amount compared to the services provided or expenses incurred by the recipient. It is necessary to consider the full facts surrounding both the payment and the recipient in determining if the amount is a token amount.⁸⁴

An argument against exempting all reimbursement payments to volunteers was that it could become problematic if reimbursement payments are made at a flat rate, based on an estimation of costs.⁸⁵ The concern was that the provision could be inappropriately used as a mechanism to avoid withholding tax on payments that are similar in quality to income. This argument is not strong as reimbursements made to employees for travel costs based on an approved mileage rate are already exempt. Most volunteer organisations paying a flat rate for travel costs are either using an IRD approved mileage rate or use a lower rate. As a safeguard, the exemption could be for the lower of IRD's approved mileage rate or the actual rate used by the organisation. However, this criterion would create a problem for organisations reimbursing their volunteers' without a fixed mileage rate or organisations that give petrol vouchers to their volunteers each period. The survey findings clearly show that reimbursements do not cover the costs of volunteering even if they are based on estimation. If a volunteer is paid for the cost of petrol and/or motor vehicle expenses at a kilometre rate then this is considered a reimbursement.

13.3.3 Statutory threshold for reimbursements

One of the options considered in the issues paper was the establishment of a threshold up to which reimbursements would be considered exempt income.⁸⁶ However, the findings of this survey indicate that reimbursements do not cover actual costs. Reimbursements are made in many different ways and can be in cash and/or non-cash benefits. The range of reimbursements varies depending on the sector, type of organisation, i.e. national, regional and the area of operation (rural or urban). Setting an arbitrary amount in the midst of such diversity could create more compliance problems than it solves. Any statutory threshold amount is likely to impose administrative costs in the sector. Organisations would need to record the amount of reimbursements in order to determine whether amounts made were above or below thresholds.

⁸⁴ Australian Tax Office (2005), p3.

⁸⁵ Inland Revenue Policy Advice Division (November 2007), p7.

⁸⁶ Ibid, p3.

The issues paper correctly identified that a threshold will not be effective for some individuals and organisations as it would be hard to justify a different tax treatment for payments that have similar features purely on the basis of their cumulative monetary value over a tax year.⁸⁷ Furthermore, any threshold or cap would need to be subjected to a cost index such as the CPI index to reflect issues such as petrol price fluidity. It is suggested that the treatment of reimbursement should model the practice adopted by the Australian Taxation Office with no thresholds.

13.3.4 Defining assessable and non-assessable honoraria

Similarly, the tax treatment of honoraria should be clarified by providing a clear definition of an honorarium that should be subjected to withholding tax. The survey findings indicated that most honoraria do not cover the volunteer's actual costs. Once again, the Australian tax model of honoraria can be seen as best practice.⁸⁸ An honorarium, can be described as:

- an honorary reward for voluntary services; or
- a fee for professional services voluntarily rendered.

Therefore, whether an honorarium is assessable income in the hands of a volunteer will depend on the nature of the payment and the recipient's circumstances rather than the cumulative monetary amount if a threshold was introduced. Once again, this is consistent with the Australian framework on the treatment of honorarium. Honorary rewards for voluntary services are not assessable as income and related expenses are not deductible. An honorarium should be assessable if it is a reward for services connected to the volunteer's income-producing activities. For example, an honorarium received by a chartered accountant providing accounting services to a volunteer organisation would be assessable. On the other hand, an honorarium received by a chartered accountant who is a board member of a volunteer organisation would not be assessable income. Much will depend on the full facts surrounding both the payment and the recipient in deciding whether it is assessable income. The amount of an honorarium is not a conclusive factor.

⁸⁷ Inland Revenue Policy Advice Division (November 2007), p6.

⁸⁸ Australian Tax Office (2005).

13.4 Conclusion

The voluntary sector's primary mission is to give back to the community and it is dependent upon the goodwill of volunteers. There are costs associated with volunteering, but they must be kept to a reasonable amount, otherwise they might decrease the quality of volunteering service or worse, cause volunteers to stop. Volunteers also reject any notion of a fee for service, because then they would no longer be volunteers. Instead, they seek to be recognised for the contribution they may in assisting the community, and have indicated a desire for some initiatives to bely their costs. Reimbursement for costs and honoraria should not be required to be returned to the IRD. Organisations should be allowed to deal with the level of reimbursement and the level of substantiating detail required, under their constitution. Anecdotal evidence suggests that internal monitoring would be sufficient. Volunteers should not be burdened by filing tax returns or be worried that they are unwittingly breaking the law. Legislative changes would be welcomed and would indicate government's commitment to the sector.

Letisha Tan,
David Dunbar,
Carolyn Cordery,
3 December 2007.

14.0 Appendices

Appendix 1

[Volunteer's and organisation survey available upon request]

Appendix 2 - Descriptive Statistics

Weighted-average travel related costs (Question 13 – volunteer’s survey)

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Travelcost\$	1281	24.50	1000.00	215.9091	248.91890
Valid N (listwise)	1281				

Weighted-average non-travel costs (Question 22 – volunteer’s survey)

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Computer\$	793	24.50	749.50	67.4773	85.26209
Phone\$	898	24.50	1000.00	70.7734	116.44046
Postage\$	572	24.50	749.50	40.4476	51.62488
Food\$	587	24.50	1000.00	81.7538	125.48514
Child\$	85	24.50	1000.00	136.0000	184.98073
Member\$	313	24.50	1000.00	83.8131	139.96734
Training\$	333	24.50	1000.00	136.1847	211.75538
Selfeduc\$	367	24.50	1000.00	138.9346	225.17948
Uniform\$	121	24.50	1000.00	118.1570	146.14146
Protective\$	88	24.50	749.50	104.9432	117.20165
Otherpequi\$	400	24.50	1000.00	104.7963	173.42645
Other\$	148	24.50	1000.00	184.7568	256.42594
Valid N (listwise)	1				

Descriptive Statistics (includes 0)

	N	Minimum	Maximum	Mean	Std. Deviation
Computer\$	1340	.00	749.50	39.9325	73.48902
Phone\$	1349	.00	1000.00	47.1123	100.68620
Postage\$	1276	.00	749.50	18.1317	39.98126
Food\$	1279	.00	1000.00	37.5211	94.24009
Child\$	1183	.00	1000.00	9.7718	60.54951
Member\$	1232	.00	1000.00	21.2934	79.35799
Training\$	1230	.00	1000.00	36.8695	125.60962
Selfeduc\$	1216	.00	1000.00	41.9317	139.08697
Uniform\$	1181	.00	1000.00	12.1058	58.79505
Protective\$	314	.00	749.50	29.4108	77.76003
Otherpequi\$	1220	.00	1000.00	34.3594	110.75556
Other\$	1090	.00	1000.00	25.0862	113.51269
Valid N (listwise)	251				

Weighted-average amount of honorarium (Question 27 – Volunteer’s survey)

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Honorarium\$	161	99.50	2500.00	704.4814	695.04139
Valid N (listwise)	161				

Weighted -average amount of income (Question 32 – Volunteer’s survey)

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Income\$	1298	9999.50	100000.00	58150.5948	30259.38408
Valid N (listwise)	1298				

Weighted-average number of volunteers (Question 2 – Organisation’s survey)

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
No.vol	214	9.50	1000.00	185.1285	289.48335
Valid N (listwise)	214				

Average reimbursement per volunteer (Question 11 – Organisation’s survey)

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
AvrgNTR	224	.00	3892.00	46.6964	285.38445
Valid N (listwise)	224				

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ⁱ The Johns Hopkins handbook project, which started in 1990, has increased the visibility of the civil society sector in policy debates worldwide. In the process, it has contributed to numerous tangible policy changes, from a liberalisation of basic nonprofit law in Japan to shifts in the treatment of civil society organizations in the work of the European Commission (King, Bellamy and Donato-Hunt, (2006).