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ResearchReport

# 2020 Tax Benefits for Volunteer Firefighters and EMS Personnel

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## Issue

Describe tax benefits enacted by Congress for volunteer firefighters and emergency medical services (EMS) personnel for the 2020 tax year. Do any Connecticut programs qualify for these benefits?

The Office of Legislative Research is not authorized to issue legal opinions, and this report should not be considered one.

## Summary

As part of the Further Consolidated Appropriations Act, 2020 (P.L. 116-94), Congress reinstated, for the 2020 tax year, certain exclusions from federal taxable income for volunteer firefighters and EMS personnel. The exclusions generally apply to certain state and local tax benefits (e.g., property tax reductions), as well as certain payments or reimbursements they receive for their service. These exclusions similarly apply to covered taxpayers' Connecticut taxable income for the 2020 tax year. The exclusions previously applied to the 2008-2010 tax years but expired in 2011.

Connecticut law allows municipalities to provide, by ordinance, property tax relief to volunteer firefighters and specified EMS personnel in the form of an abatement or an exemption. The tax relief appears to qualify for the federal exclusion, but a volunteer's ability to claim the exclusion depends on whether he or she is a member of a "qualified volunteer emergency response organization," as defined in federal law.

## Federal Law

In previously issued guidance, the IRS has held that property tax reductions received by volunteers count as taxable income for federal tax purposes (see BACKGROUND). In 2007, Congress enacted legislation allowing volunteer firefighters and EMS personnel to exclude certain state and local tax benefits, as well as certain payments or reimbursements they receive, from their federal gross income (P.L. 110-142). The exclusions applied to the 2008-2010 tax years.

In 2019, Congress reinstated these tax benefits for the 2020 tax year and increased the amount of payments and reimbursements that could be excluded (P.L. 116-94, Div. O, title III, § 301(a) & (b)).

### *Covered Benefits and Personnel*

For the 2020 income year, covered taxpayers may exclude from their federal gross income any income tax or property tax rebate or reduction provided to volunteer firefighters and EMS personnel by a state or political subdivision (i.e., a "qualified state and local tax benefit"). They may also exclude any payment provided by a state or political subdivision on account of services performed as volunteer firefighters or EMS personnel, up to a maximum of $600 per year (i.e., a "qualified payment"). (This amount was $360 per year for the 2008-2010 tax years.) (26 U.S.C. § 139B(a) & (c)).

The benefit applies to any member of a "qualified volunteer emergency response organization," which federal law defines as a volunteer organization that is (1) organized and operated to provide firefighting or emergency medical services for a state or political subdivision and (2) required (by written agreement) by the state or political subdivision to furnish firefighting or emergency medical services (26 U.S.C. § 139B(c)(3)).

## State Income Tax

State law does not specifically exclude the above benefits from taxable income for state tax purposes. However, because the starting point for Connecticut's income tax is federal adjusted gross income, any federal exemption from gross income automatically applies to Connecticut's income tax unless the legislature enacts a specific provision that provides otherwise (CGS 12-701(a)(19 & 20)).

Thus, for the 2020 tax year, the benefits described above are similarly excluded from covered taxpayers' Connecticut taxable income.

## Connecticut Property Tax Relief

State law allows municipalities to provide, by ordinance, property tax relief to volunteer firefighters and specified EMS personnel. The relief may consist of either (1) an abatement of property taxes

due for any fiscal year (up to $1,500 in FYs 20 and 21 and up to $2,000 for FY 22 and thereafter) or (2) an exemption applicable to the assessed value of real or personal property up to an amount equal to $1 million divided by the mill rate in effect at the time of assessment. (An exemption represents a reduction of the property's assessed value for tax purposes; an abatement is a reduction in the amount of taxes owed.)

The ordinance may also authorize interlocal agreements for providing tax relief to certain active and retired volunteers who live in one municipality but volunteer or volunteered their services in another municipality.

The relief applies to the following types of volunteers:

1. local emergency management directors;
2. firefighters and fire police officers;
3. emergency medical technicians and paramedics;
4. civil preparedness staff;
5. active members of a volunteer canine search and rescue team or volunteer underwater search and rescue team;
6. ambulance drivers in the municipality; and
7. retired volunteer firefighters, fire police officers, or emergency medical technicians who served in those roles for at least 25 years (CGS § 12-81w, as amended by PA 19-36).

As described above, a volunteer must be a member of a "qualified volunteer emergency response organization," as defined in federal law, in order to qualify for the 2020 federal and state tax benefit.

# Background

## *2002 IRS Letter*

In a December 2002 letter, the IRS's Office of Chief Counsel concluded that property tax abatements and exemptions for volunteer firefighters and EMS personnel in Connecticut were includible as gross income for federal tax purposes. The letter noted that the property tax reductions are an "in-kind payment for the volunteer's services" and that, at that time, there was no provision under which they could be excluded from the volunteers' incomes.

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