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## **OLR Bill Analysis**

### **HB 5281**

#### ***AN ACT ALLOWING A PERSONAL INCOME TAX DEDUCTION FOR STIPENDS PAID TO VOLUNTEER FIREFIGHTING OR EMERGENCY MEDICAL SERVICES PERSONNEL.***

#### **SUMMARY**

This bill establishes a state income tax deduction of up to \$2,000 for certain payments volunteer firefighters and emergency medical services (EMS) personnel receive for their service. The deduction applies to “qualified payments,” which federal law defines as any payment provided by a state or political subdivision for services performed as a member of a “qualified volunteer emergency response organization” (i.e., a volunteer organization organized, operated, and required to provide firefighting or EMS services for a state or political subdivision).

Under federal law, individuals who receive these qualified payments may exclude them from their gross income for federal tax purposes, up to a maximum of \$600. Because the starting point for Connecticut’s income tax is an individual’s federal adjusted gross income, this federal exemption from gross income automatically applies to Connecticut’s income tax unless state law provides otherwise.

The bill allows individuals to deduct up to \$2,000 in qualified payments that are included in the taxpayer’s gross income for federal income tax purposes (i.e., qualified payments that are taxable for federal income tax purposes because they exceed the \$600 maximum). The bill’s maximum deduction amount applies regardless of the taxpayer’s filing status.

EFFECTIVE DATE: January 1, 2025, and applicable to tax years beginning on or after that date.

#### **BACKGROUND**

##### ***Federal Deduction for Volunteer Firefighters and EMS Personnel***

Eligible 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. 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 (26 U.S.C. § 139B).

***Connecticut Property Tax Relief***

State law allows municipalities to provide by ordinance property tax relief to specified volunteer emergency personnel, including volunteer firefighters and emergency medical technicians and paramedics. The relief may consist of either (1) a property tax abatement of up to \$2,000 per fiscal year or (2) an exemption of up to \$2,000 applicable to the assessed value of real or personal property (CGS § 12-81w).

**COMMITTEE ACTION**

Public Safety and Security Committee

Joint Favorable

Yea 23    Nay 0    (03/12/2024)