



Exclusion for Firefighters and Emergency Responders

The Mortgage Forgiveness Debt Relief Act of 2007 contained an important provision affecting firefighters and other emergency responders who receive local tax benefits or other benefits for volunteer services. This provision was further clarified by the Heroes Earnings Assistance and Relief Tax Act of 2008.

New Benefits

The new law provides that volunteer firefighters and emergency responders may exclude certain benefits from income provided on account of the performance of volunteer services.

Reduction of Taxes

Any reductions or abatement of state or local property or other taxes provided to volunteers in recognition of work performed constitutes compensation and, under prior law, is fully taxable under Internal Revenue Code section 61. Beginning January 1, 2008, however, volunteers who perform services for a qualified volunteer emergency response organization may exclude the value of property tax abatements from Federal gross income and social security and Medicare (FICA) tax. No additional withholding is required on the value of these benefits.

Property taxes are generally deductible as itemized deductions, but any amounts excluded under these provisions may not be included on Schedule A as deductible taxes.

Other Benefits

In general, reimbursements for expenses are included in the income of the volunteer unless they are made under the provisions of an accountable plan. An accountable plan requires that an employee timely account for all reimbursements and return any excess amounts. See [Publication 15](#), Employer's Tax Guide.

The new law provides that the value of other benefits that qualifying volunteers receive (such as reimbursements for expenses or equipment allowances), up to \$30 for each month of service during a calendar year, may be excluded from income for income tax, social security and Medicare purposes. The exclusion should be applied after taking into account amounts excludable as reimbursements under an accountable plan; the exclusion may be taken to amounts not paid under an accountable plan. If the volunteer performs services in each month of the year, the maximum exclusion for these benefits is 12 x \$30, or a maximum of \$360 per year for each employee. The qualified organization making these payments is not required to withhold income, social security or Medicare taxes on these amounts; withholding on each individual for income, social security and Medicare tax should begin for each month after the first \$30 of excludable benefits has been received.

Who Is Eligible for the Exclusion?

Individuals who perform services for qualified volunteer emergency response organizations are eligible for these benefits. A "qualified volunteer emergency response organization" for this purpose is an entity that is organized and operated to provide firefighting or emergency medical services for persons in the state or political subdivision. The \$30 per month exclusion applies to amounts not otherwise excludable as reimbursements received under an accountable plan. For more information on accountable plans, see section 5 of [Publication 15-B](#).

The exclusion for both the tax abatements and the other qualified benefits is available for 2008, 2009, and 2010.

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News

IRS Publishes Guidelines for Implementation of Volunteer Responder Incentive Protection Act

In December 2007, the Volunteer Responder Incentive Protection Act (VRIPA) was signed into law, prohibiting the federal government from taxing any property tax benefits and up to \$360 per year of any other type of benefit provided to volunteers firefighters and EMS personnel by a state or local unit of government. Language was included in the Heroes Earnings Assistance and Relief Tax (HEART) Act, which was signed into law on June 17, clarifying that those benefits exempted from federal gross income are also exempt from social security and Medicare (FICA) tax. Since passage of the HEART Act, the Internal Revenue Service has posted instructions online explaining the new tax benefits and how volunteers can take advantage of them.

- Some states and many local units of government have discovered that providing benefits to volunteer first responders helps boost retention and recruitment. Volunteer benefits come in various forms, including length of service award programs (pension-like programs for volunteer first responders), various tax and fee reductions, small cash payments for responding to emergency calls, and reimbursement for expenses incurred. The federal government has historically taxed these benefits as income, reducing their incentive value to volunteers and creating administrative problems for state and local units of government.

Passage of VRIPA was a top priority for the National Volunteer Fire Council (NVFC). Since last December, the NVFC has been working closely with the Office of Congressman John Larson (D-CT), the author of the original VRIPA legislation, to ensure that the new law is implemented in a manner that reflects the intent of Congress and the letter of the law. VRIPA is in effect for the 2008 tax year.

If you have any questions about VRIPA, the HEART Act, or anything involving the new tax benefits for volunteer emergency responders, please contact Dave Finger, NVFC Director of Government Relations, at (202) 887-5700, ext. 12 or dfinger@nvfc.org

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