Congressman King reintroduces Volunteer Emergency Services Recruitment and Retention Act

Congressmen Peter King (R-NY) recently reintroduced the Volunteer Emergency Services Recruitment and Retention Act (H.R. 2160), a bill that would clarify the treatment of length of service award programs (LOSAP) in the federal tax code. LOSAPs are pension-like programs for volunteer emergency services personnel. Nearly 20 percent of the volunteer firefighters in America participate in some form of a LOSAP. Virgil Goode (R-VA) and Bill Pascrell (D-NJ) are original cosponsors of H.R. 2160.

The treatment of LOSAPs in the existing tax structure is ambiguous at best and has not been updated legislatively since 1996. In 2002, the National Volunteer Fire Council (NVFC) formed a LOSAP Committee to examine current law and come up with ideas for clarifying how LOSAPs are taxed. The NVFC then worked closely with Congressman King and other fire service groups to develop the Volunteer Emergency Services Recruitment and Retention Act.

"This legislation is crucial for the volunteer fire and emergency services," said NVFC Chairman Philip C. Stittleburg. "LOSAPs have no clear place in the current federal tax structure. This creates problems for states and communities that want to provide LOSAPs for their volunteers but face unnecessary complications in setting up programs. For this reason, LOSAP participation is lower than it otherwise would be, and the programs that do exist are more difficult to administer."

The point of LOSAP is to provide participants with a financial benefit after they reach a certain age and length of service. As with pension plans, LOSAPs should be taxed when a beneficiary begins drawing from it, not each year when a payment is made into the LOSAP account. HR 2160 would fix this problem.

"HR 2160 does not decrease or eliminate taxation of LOSAPs or force any new requirements on existing LOSAPs," Stittleburg said. "This bill simply clarifies how LOSAPs should be taxed, giving volunteer emergency service organizations and state and local governments a clear legal framework to administer their LOSAP internally."

Another major change that HR 2160 makes is to increase the limit on how much can be contributed into an individual's LOSAP account each year from $3,000 to $5,000. The $3,000 limit was established in 1996 and has not been increased since. The bill also creates a mechanism for adjusting the $5,000 limit based on inflation.

Some of the other changes that HR 2160 would make include:

- Clarifies that in any given year a LOSAP sponsor can contribute more to a volunteer's LOSAP plan than it pays that individual for volunteering. Limiting contributions to 100 percent of pay makes sense for traditional pension plans - an employer would not contribute more to an employee's pension plan than the employee makes in wages. However, most volunteers receive little or no direct compensation for their services and the LOSAP contribution would be their largest benefit.

- Allows non-governmental LOSAPs to be treated as governmental. Some volunteer emergency service organizations are separate from a local governmental unit. These organizations typically have a very structured agreement with the local governmental unit that defines their ability to serve the community. By treating these organizations as governmental for the purposes of LOSAP, it exempts them from Employee Retirement Income Security Act vesting and funding requirements that are unrealistic for plans the size and scope of a typical LOSAP.

"I'd like to thank Congressman King along with original cosponsors Pascrell and Goode for reintroducing this important piece of legislation," Stittleburg said. "I urge all NVFC members and supporters of the volunteer fire and emergency services to contact their Representative and ask them to co-sponsor HR 2160."