

**DEPARTMENT OF TAXATION
2024 Fiscal Impact Statement**

- 1. **Patron** Christie New Craig
- 3. **Committee** Senate Finance and Appropriations
- 4. **Title** Income Tax Subtraction; Firefighter Benefits

- 2. **Bill Number** SB 61
House of Origin:
 X **Introduced**
 Substitute
 Engrossed

Second House:
 In Committee
 Substitute
 Enrolled

5. Summary/Purpose:

This bill would provide an individual income tax subtraction for up to \$20,000 of firefighter benefits in Taxable Year 2024, up to \$30,000 in Taxable Year 2025, and up to \$40,000 in Taxable Year 2026 and each year thereafter.

Firefighter benefits would include retirement income related to professional firefighting services and benefits paid to the surviving spouse of a firefighter whose death occurred in the line of duty.

This bill would be effective for taxable years beginning on and after January 1, 2024.

- 6. **Budget amendment necessary:** No.
- 7. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)
- 8. **Fiscal implications:**

Administrative Costs

The Department of Taxation (“the Department”) considers implementation of this bill as routine and does not require additional funding.

Revenue Impact

This bill would have an unknown, but potentially significant, negative revenue impact to General Fund revenues beginning in Fiscal Year 2025. Some local government retirees affected by this legislation and surviving spouses are covered by the Virginia Retirement System (“VRS”), while others are covered by separate retirement systems and separate surviving spouse benefit programs maintained by localities. Although VRS collects data for retirees by job group, more than half of all retirees are in an “unassigned” category, which makes it difficult to identify the specific number of retirees under VRS who may qualify. In addition, there is a lack of data regarding federal retirees and local retirees who are not covered by VRS who may be affected by this bill. As a result, the revenue loss is

unknown, but potentially significant. The magnitude of such unknown impact would increase over time as the subtraction amount increases.

8. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: Yes.

The Department understands the intent of this bill is in part to provide a subtraction for firefighter benefits paid to the surviving spouse of a firefighter who died in the line of duty. If the intent of this bill is to limit this subtraction to benefits paid related to the provision of firefighting service and to exclude other benefits like life insurance, the following technical amendment is suggested:

Line 241, after “benefits”
Insert: “, related to the provision of firefighting services,”

Because of the broadness of the term “retirement income,” this subtraction could be interpreted to apply to distributions from defined contribution plans. If the intent is to limit this subtraction to amounts received from a firefighter pension only, the Department suggests the following clarifying technical amendment:

Line 245, insert “Retirement income” means any amounts received from a firefighter’s pension plan.

11. Other comments:

Virginia Firefighter Tax Preferences

The governing body of any locality may, by ordinance, provide a credit against taxes and fees imposed by the locality to an individual who provides approved volunteer services, including firefighting and fire prevention services, in the locality. The locality may allow the credit to be used against the individual’s liability for a limited number of taxes, fees, or other charges imposed by the locality.

Proposed Legislation

This bill would provide an individual income tax subtraction for firefighter benefits of up to \$20,000 in Taxable Year 2024, up to \$30,000 in Taxable Year 2025, and up to \$40,000 in Taxable Year 2026 and thereafter. The subtraction would be allowed only for salaried, professional firefighters who receive such benefits as a result of employment by the Commonwealth, its political subdivisions, or a federal governmental entity.

"Firefighter benefits" would be defined as (i) retirement income received for rendering duties related to the provision of firefighting services and (ii) benefits paid to the surviving spouse of a firefighter whose death occurred in the line of duty.

"Firefighting services" would be defined as fire prevention services, fire suppression services, and other services related to the extinguishment of fires.

This subtraction would not be allowed if a credit, exemption, subtraction, or deduction is claimed for the same income pursuant to any other provision of Virginia or federal law.

This bill would be effective for taxable years beginning on and after January 1, 2024.

Similar Bills

House Bill 1292 is substantially similar to this bill.

Senate Bill 10 would expand the individual income tax subtraction for "military benefits" to include retirement income for service in the U.S. uniformed services.

House Bill 491 would establish an individual income tax subtraction for bona fide volunteers, including volunteer firefighters, who perform qualifying services.

House Bill 518 would establish an individual income tax subtraction for certain individuals receiving Foreign Service retirement income.

cc : Secretary of Finance

Date: 1/14/2024 ALS
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