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DON'T TAX OUR FALLEN PUBLIC SAFETY HEROES ACT

APRIL 14, 2015.—Ordered to be printed

Mr. HATCH, from the Committee on Finance, submitted the following

R E P O R T

[To accompany S. 916]

The Committee on Finance, having considered an original bill, S. 916, to amend the Internal Revenue Code of 1986 to exclude certain compensation received by public safety officers and their dependents from gross income, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

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I. LEGISLATIVE BACKGROUND

The Committee on Finance, having considered S. 916, the "Don't Tax Our Fallen Public Safety Heroes Act," to amend the Internal Revenue Code of 1986 to exclude certain compensation received by public safety officers and their dependents from gross income, reports favorably thereon without amendment and recommends that the bill do pass.

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Background and need for legislative action

Background.—Based on a proposal recommended by Senator Toomey, the Committee on Finance marked up original legislation (a bill to amend the Internal Revenue Code of 1986 to exclude certain compensation received by public safety officers and their dependents from gross income) on February 11, 2015, and, with a majority present, ordered the bill favorably reported. Related bills include—

- In the 114th Congress, S. 322 (Senators Ayotte, Shaheen, Blunt, Capito, Cardin, Coons, and Toomey) and S. 279 (Senator Ayotte); and
- In the 113th Congress, S. 2912 (Senators Ayotte, Shaheen, and McConnell, and passed by the Senate on September 18, 2014); S. 2377 (Senators Ayotte, Shaheen, and McConnell); and S. 2355 (Senators Ayotte and Shaheen).

Need for legislative action.—Under longstanding tax law, benefits paid as compensation for an employee's injury or death on the job are excluded from income. This exclusion applies in the case of payments made with respect to a public safety officer who is killed or becomes disabled in the line of duty. However, because the tax rules do not address every specific Federal or State program under which such payments are made, uncertainty exists as to the tax treatment of payments under a Federal program of the Bureau of Justice Assistance and similar State programs. The bill removes this uncertainty.

II. EXPLANATION OF THE BILL

A. Exclusion of Certain Compensation Received by Public Safety Officers and Their Dependents (sec. 2 of the bill and sec. 104(a) of the Code)

PRESENT LAW

Amounts received under a workmen's compensation act as compensation for personal injuries or sickness are excluded from gross income.[1] This exclusion applies to amounts received by an employee under a workmen's compensation act, or under a statute in the nature of a workmen's compensation act that provides compensation to employees for personal injuries or sickness incurred in the course of employment, as well as to compensation paid under a workmen's compensation act to the survivor or survivors of a deceased employee.[2]

Under the Omnibus Crime Control and Safe Streets Act of 1968, if the Bureau of Justice Assistance ("BJA"), an agency of the U.S. Department of Justice, determines that a public safety officer has died as the direct and proximate result of a personal injury sustained in the line of duty, the BJA will pay a monetary benefit to surviving family members or other beneficiary ("public safety officer survivor's benefit").[3] In addition, if the BJA determines that a public safety officer has become permanently and totally disabled as the direct and proximate result of a personal injury sustained

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[1] Sec. 104(a)(1). All statutory references are to the Internal Revenue Code of 1986 ("Code") unless otherwise indicated.

[2] Treas. Reg. sec. 1.104–1(b).

[3] 42 U.S.C. sec. 3796(a).

in the line of duty, the BJA will pay a monetary benefit to the public safety officer ("public safety officer disability benefit").[4]

With respect to payments made by the Law Enforcement Assistance Administration (a previous agency of the U.S. Department of Justice) under the Public Safety Officers' Benefits Act of 1976 to a surviving dependent of a public safety officer who died as the direct and proximate result of a personal injury sustained in the line of duty, the Internal Revenue Service has ruled that the payments are made under a statute in the nature of a workmen's compensation act and are thus excluded from gross income.[5]

REASONS FOR CHANGE

The Committee wishes to make it clear that benefits paid solely as a result of a public safety officer's death or disability in the line of duty are excluded from income.

EXPLANATION OF PROVISION

The provision amends the Code to provide a specific exclusion from gross income for amounts paid (1) by the BJA as a public safety officer survivor's benefit or public safety officer disability benefit, or (2) under a State program that provides monetary compensation for surviving dependents of a public safety officer who has died as the direct and proximate result of a personal injury sustained in the line of duty, except that the exclusion does not apply to any amounts that would have been payable if the death of the public safety officer had occurred other than as the direct and proximate result of a personal injury sustained in the line of duty.

EFFECTIVE DATE

The provision is effective on the date of enactment of the provision.

III. BUDGET EFFECTS OF THE BILL

A. Committee Estimates

In compliance with paragraph 11(a) of rule XXVI of the Standing Rules of the Senate and section 308(a)(1) of the Congressional Budget and Impoundment Control Act of 1974, as amended (the "Budget Act"), the following statement is made concerning the estimated budget effects of the revenue provisions of the "Don't Tax Our Fallen Public Safety Heroes Act" as reported.

The bill is estimated to have no effect on Federal budget receipts for fiscal years 2015–2025.

B. Budget Authority and Tax Expenditures

Budget authority

In compliance with section 308(a)(1) of the Budget Act, the Committee states that no provisions of the bill as reported involve new or increased budget authority.

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[4] 42 U.S.C. sec. 3796(b).
[5] Rev. Rul. 77–235, 1977–2 C.B. 45.

Tax expenditures

In compliance with section 308(a)(1) of the Budget Act, the Committee states that the revenue provisions of the bill do not involve increased or reduced tax expenditures (see statement of effect on budget receipts in part A, above).

C. Consultation With Congressional Budget Office

In accordance with section 402 of the Budget Act, the Committee advises that the Congressional Budget Office has not submitted a statement on the bill. The letter from the Congressional Budget Office will be provided separately.

IV. VOTES OF THE COMMITTEE

In compliance with paragraph 7(b) of rule XXVI of the Standing Rules of the Senate, the Committee states that, with a majority present, the "Don't Tax Our Fallen Public Safety Heroes Act" was ordered favorably reported by voice vote on February 11, 2015.

V. REGULATORY IMPACT AND OTHER MATTERS

A. Regulatory Impact

Pursuant to paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee makes the following statement concerning the regulatory impact that might be incurred in carrying out the provisions of the bill.

Impact on individuals and businesses, personal privacy and paperwork

The bill clarifies that certain benefits paid solely as a result of the death or disability of a public safety officer in the line of duty are excluded from income. The provisions of the bill are not expected to impose additional administrative requirements or regulatory burdens on individuals or businesses.

The provisions of the bill do not impact personal privacy.

B. Unfunded Mandates Statement

This information is provided in accordance with section 423 of the Unfunded Mandates Reform Act of 1995 (Pub. L. No. 104–4).

The Committee has determined that the tax provisions of the reported bill do not contain Federal private sector mandates or Federal intergovernmental mandates on State, local, or tribal governments within the meaning of Public Law 104–4, the Unfunded Mandates Reform Act of 1995.

C. Tax Complexity Analysis

Section 4022(b) of the Internal Revenue Service Reform and Restructuring Act of 1998 ("IRS Reform Act") requires the staff of the Joint Committee on Taxation (in consultation with the Internal Revenue Service and the Treasury Department) to provide a tax complexity analysis. The complexity analysis is required for all legislation reported by the Senate Committee on Finance, the House Committee on Ways and Means, or any committee of conference if the legislation includes a provision that directly or indirectly amends the Internal Revenue Code and has widespread applicability to individuals or small businesses. The staff of the Joint Committee on Taxation has determined that there are no provisions that are of widespread applicability to individuals or small businesses.

VI. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In the opinion of the Committee, it is necessary in order to expedite the business of the Senate, to dispense with the requirements of paragraph 12 of rule XXVI of the Standing Rules of the Senate (relating to the showing of changes in existing law made by the bill as reported by the Committee).

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