

**DESCRIPTION OF THE CHAIRMAN'S MARK OF
A PROPOSAL TO EXCLUDE FROM GROSS INCOME
CERTAIN COMPENSATION RECEIVED BY PUBLIC
SAFETY OFFICERS AND THEIR DEPENDENTS**

Scheduled for Markup
by the
SENATE COMMITTEE ON FINANCE
on February 11, 2015

Prepared by the Staff
of the
JOINT COMMITTEE ON TAXATION



February 9, 2015
JCX-31-15

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INTRODUCTION

The Senate Committee on Finance has scheduled a committee markup on February 11, 2015, of a proposal to exclude from gross income certain compensation received by public safety officers and their dependents. This document,¹ prepared by the staff of the Joint Committee on Taxation, provides a description of the proposal.

¹ This document may be cited as follows: Joint Committee on Taxation, *Description of the Chairman's Mark of a Proposal to Exclude From Gross Income Certain Compensation Received by Public Safety Officers and Their Dependents* (JCX-31-15), February 9, 2015. This document can also be found on the Joint Committee on Taxation website at www.jct.gov.

A. Exclusion of Certain Compensation Received by Public Safety Officers and Their Dependents

Present Law

Amounts received under a workmen's compensation act as compensation for personal injuries or sickness are excluded from gross income.² 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.³

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”).⁴ 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 in the line of duty, the BJA will pay a monetary benefit to the public safety officer (“public safety officer disability benefit”).⁵

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.⁶

Description of Proposal

The proposal 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

² Sec. 104(a)(1). All statutory references are to the Internal Revenue Code of 1986 (“Code”) unless otherwise indicated.

³ Treas. Reg. sec. 1.104-1(b).

⁴ 42 U.S.C. sec. 3796(a).

⁵ 42 U.S.C. sec. 3796(b).

⁶ Rev. Rul. 77-235, 1977-2 C.B. 45.

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 proposal is effective on the date of enactment of the proposal.

B. Estimated Revenue Effects

The proposal is estimated to have no effect on Federal fiscal year budget receipts for the period 2015-2025.