



# INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS®

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The Honorable Orrin Hatch, Chairman  
The Honorable Ron Wyden, Ranking Member  
Committee on Finance  
United States Senate  
Washington, DC 20510

Dear Chairman Hatch and Ranking Member Wyden:

As you undertake the difficult work of reforming the tax code, the International Association of Fire Fighters urges you to keep the code fair and effective for the nation's more than 300,000 professional fire fighters and emergency medical personnel. Our members depend heavily on key provisions within the tax code – provisions which work to protect us against the risks and uncertainties of our profession. In the coming months as you and your working groups put forward proposals for reform, we urge you to protect the tax exclusion for employer provided health and retirement benefits, and preserve tax provisions that enable state and local governments to provide vital services.

The employer-provided healthcare model is the backbone for coverage in the United States. The current tax exclusion, which benefits the vast majority of middle-income workers, incentivizes employers to provide essential health benefits. Proposals from Members of Congress and outside policy groups have suggested eliminating or severely capping the employer-provided health care tax exclusion. If Congress were to cap or eliminate this provision the result would be either a reduction in health care coverage or a huge increase in the tax liability for millions of middle-income Americans, or some combination of the two.

While some argue that the tax provision should be capped or eliminated, due in part to its large cost, it is important to note that roughly 70 percent of the benefit from the tax expenditure is enjoyed by those earning less than \$250,000 a year. Our members especially depend on this provision, given the high costs of their health care. Eliminating this tax exclusion would amount to an unfair and disproportionate tax increase on those front-line responders we ask to protect the safety of the public.

A second priority is the tax exclusions that enable fire fighters to enjoy a secure retirement. Under current law, employer contributions to defined benefit pension plans and employee contributions to defined contribution plans are both exempt from the tax. It is important to note that the benefits paid from these retirement plans are fully taxable, so these provisions merely defer taxation. Tax preferences for retirement savings are especially important for public safety officers who generally retire much earlier than their peers due to the physical

demands on the job. Without these tax-deferred retirement savings vehicles, it is unlikely that fire fighters would be able to save enough to retire, and could be forced to continue working even after they are no longer physically capable of performing the demanding tasks required of emergency responders. The fact that most fire fighters do not qualify for Social Security benefits makes preserving these retirement savings vehicles even more critical.

Proponents of eliminating these exclusions claim that the overall tax liability for impacted individuals will be lower because reduced tax rates will more than offset the increase in taxable income. We disagree. Eliminating the exclusions for health and retirement plans would dramatically increase the taxable income of fire fighters—doubling it in many instances—and no rate reduction would be able to fully offset the taxes owed on the revised taxable income. One analysis of a typical fire fighter with a family of four in suburban Chicago found that the Simpson-Bowles proposed 8% tax rate would result in an increased tax bill of more than \$4,000.

In addition we ask that you retain tax-related policies that directly affect the ability of public safety agencies to continue to provide Americans with emergency services. Without the tax exclusion for municipal bond interest and the tax deduction for state and local taxes, government agencies could be forced to slash basic services. Even in the face of a modestly healthy economy, localities have seen unprecedented cutbacks in recent years in public safety services, including fire protection, causing too many departments to operate with substandard protective equipment and unsafe staffing levels. The Federal government should not impose an additional burden on state and municipal budgets by changing long-standing provisions of the tax code.

I hope that as this process continues to unfold under your leadership that you will stand by your domestic defenders by supporting these important tax provisions. Thank you.

Sincerely,



Harold A. Schaitberger  
General President