



## Volunteer Emergency Services Recruitment and Retention Act

- **Request: Co-sponsor VESRRA**
- **What does VESRRA do?**

The bill would simplify how Length of Service Award Programs (LOSAPs) are taxed without increasing or reducing federal spending or taxes. Simply put, it eliminates burdensome and confusing IRS requirements that make it unnecessarily difficult for departments to administer plans and for volunteer emergency personnel to receive benefits.

- **What is LOSAP?**

LOSAP is a retirement account for volunteer emergency responders that approximately 20 percent of the 682,000 volunteer firefighters in the United States are enrolled in. Many communities provide modest financial incentives to their volunteer firefighters and EMS personnel to boost retention and LOSAP is one of the most popular benefits.

- **Why is the current tax treatment of LOSAP problematic and how does VESRA address this?**

There are two specific issues that the bill would address. First, the tax code specifies that LOSAP is *not* an eligible deferred compensation plan. This is necessary because the rules for eligible deferred compensation plans are designed with the employer/employee relationship in mind. For instance, under an eligible deferred compensation plan, employer contributions cannot exceed compensation in the form of salary, wages or other benefits. Because volunteers receive little or no compensation outside of the LOSAP this is problematic. VESRRA would allow LOSAP sponsors to elect to have their plan treated as an eligible deferred compensation plan in spite of not paying volunteers a wage or salary. Plan sponsor would then have to fund the plan, and contributions would become tax-deferred, guaranteed, and portable.

Second, many volunteer fire and EMS agencies are private entities, although they are nonprofit and are funded and authorized to operate by local government units. Because the tax code has different rules for government- and privately-maintained deferred compensation plans, LOSAPs for private, nonprofit volunteer emergency service agencies are required to comply with much more stringent reporting requirements than their public counterparts. VESRRA specifies that LOSAPs funded by non-profit emergency services agencies be treated as governmental for tax purposes.

- **How will this help volunteer emergency services agencies recruit and retain personnel?**

VESRRA would make managing and creating new LOSAPs much more straightforward. The value of LOSAP benefits are very modest in comparison with a typical employer-sponsored retirement account, and the plan sponsors – volunteer emergency services agencies and small units of local government – typically have few resources and or staff to devote to administering plans. Simplifying how LOSAP is taxed will make it easier for departments to provide retirement benefits to their volunteers, which will in turn make it easier for them to recruit and retain personnel.