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Testimony Submitted by the
National Volunteer Fire Council

Before the

Committee on Ways and Means
Subcommittee on Select Revenue Measures and
Subcommittee on Income Security and Family Support

U.S. House of Representatives
Washington, DC 20515

October 17, 2007

I'd like to thank the Chairmen, Ranking Members and other members of the subcommittees for the opportunity to be here today to express the views of the National Volunteer Fire Council (NVFC) on H.R. 943, the Volunteer Responder Incentive Protection Act, which would prohibit the federal government from taxing benefits provided by state and local units of government to volunteer firefighters and EMS personnel.

My name is John McAuliffe and it is an honor and a pleasure to appear before you today. I have been in the volunteer fire service since 1958, and served as Chief of the Wethersfield Fire Department from 1991-1996. I am currently the National Volunteer Fire Council's Connecticut State Director as well as the Chairman of the Connecticut State Firemen's Association's (CSFA) Legislative Committee. CSFA is a member of the NVFC, which represents the interests of the nation's volunteer fire and emergency medical personnel who staff approximately 30,000 fire and EMS agencies nationwide.

Volunteer firefighters and EMS personnel are essential to our nation's safety and security. All- and mostly-volunteer fire departments protect approximately 38 percent of the country's population and more than 70 percent of the country's land area. A 2004 study by St. Joseph's University in partnership with VFIS revealed that volunteer first responders save American

taxpayers \$37.2 billion per year. Without volunteer first responders, many communities simply would not be able to afford to provide firefighting and emergency medical services at all.

According to the National Fire Protection Association (NFPA) the number of volunteer firefighters in this country has decreased dramatically since the mid-1980s. In addition, NFPA statistics show that volunteer firefighters as a population are significantly older today than they were 20 years ago. In order to improve retention and recruitment, many states and communities provide benefits to their volunteer emergency responders. Federal taxation of these benefits reduces the incentive for the volunteers and creates administrative problems for local units of government. By eliminating federal taxation of these benefits, H.R. 943 would be a tremendous boost for volunteer first responder recruitment and retention efforts in communities around the country.

The number of volunteer firefighters in the country is decreasing. According to a National Fire Protection Association (NFPA) study, between 1983 and 1988, the number of volunteer firefighters in the country has decreased from close to 900,000 to approximately 800,000. Since 1988, the number of volunteers has fluctuated up and down but remained close to 800,000. Over that same period of time, the number of volunteer firefighters per person in this country has declined steadily by 26.7 percent.

Table 1
Number of Firefighters in the U.S., 1983-2005

Year	Total		Career		Volunteer	
	Number	Rate per 1,000 People	Number	Rate per 1,000 People	Number	Rate per 1,000 People
1983	1,111,200	4.75	226,600	0.97	884,600	3.78
1984	1,129,100	4.78	231,600	0.98	897,750	3.80
1985	1,077,950	4.52	238,500	1.00	839,450	3.52
1986	1,045,950	4.35	237,750	0.99	808,200	3.36
1987	1,060,000	4.36	243,200	1.00	816,800	3.36
1988	1,040,750	4.25	252,500	1.03	788,250	3.22
1989	1,020,700	4.12	250,600	1.01	770,100	3.11
1990	1,025,650	4.11	253,000	1.01	772,650	3.10
1991	1,033,600	4.09	261,800	1.04	771,800	3.05
1992	1,058,300	4.14	253,000	0.99	805,300	3.15
1993	1,055,050	4.09	259,650	1.01	795,400	3.08
1994	1,073,600	4.12	265,700	1.02	807,900	3.10
1995	1,098,850	4.18	260,850	0.99	838,000	3.19
1996	1,081,800	4.07	266,300	1.00	815,500	3.07
1997	1,079,050	4.03	275,700	1.03	803,350	3.00
1998	1,082,500	4.00	278,300	1.03	804,200	2.97
1999	1,065,150	3.90	279,900	1.03	785,250	2.87
2000	1,064,150	3.86	286,800	1.04	777,350	2.82
2001	1,078,300	3.85	293,600	1.05	784,700	2.81
2002	1,108,250	3.89	291,650	1.02	816,600	2.87
2003	1,096,900	3.77	296,850	1.02	800,050	2.75
2004	1,100,750	3.76	305,150	1.04	795,600	2.72
2005	1,136,650	3.82	313,300	1.05	823,350	2.77

Source: NFPA Survey of Fire Departments for U.S. Fire Experience (1983-2005).

Exacerbating the problems created by the decreasing number of volunteer firefighters, NFPA statistics show that volunteer firefighters as a group are aging. Table 2 on the next page shows three NFPA studies that measured the percentage of volunteer firefighters under 30, under 40, under 50 and over 50 in 1987, 1998 and 2005 (2005 is the last year that NFPA collected age profile information for volunteer firefighters and 1987 was the first). The long term trend is that the percentage of volunteer firefighters under 30 and under 40 is decreasing while the percentage of volunteer firefighters over 40 and over 50 is increasing. This data suggests that departments are having difficulty recruiting new members.

Table 2
Age Profile of Firefighters By Size of Community, 2005

Size of Community	Percent Firefighters under Age 30	Percent Firefighters Age 30-39	Percent Firefighters Age 40-49	Percent Firefighters Age 50 and up	Total
Mostly Volunteer Firefighters					
10,000 to 24,999	28.4%	31.2%	25.1%	16.3%	100.0%
5,000 to 9,999	31.0	29.4	22.5	17.1	100.0
2,500 to 4,999	29.5	28.4	23.1	19.0	100.0
Under 2,500	25.9	25.8	24.8	23.5	100.0

Source: NFPA Survey of Fire Departments for U.S. Fire Experience, 2005.

Age Profile of Firefighters by Size of Community, 1998

Size of Community	Percent Fire Fighters under Age 30	Percent Fire Fighters Age 30-39	Percent Fire Fighters Age 40-49	Percent Fire Fighters Age 50 and up	Total
Mostly Volunteer Firefighters					
10,000 to 24,999	31.3%	32.1%	23.8%	12.7%	100.0%
5,000 to 9,999	33.2	30.3	22.5	14.1	100.0
2,500 to 4,999	33.5	29.4	23.4	13.7	100.0
Under 2,500	25.3	29.8	26.7	18.2	100.0

Source: NFPA Survey of Fire Departments for U.S. Fire Experience, 1998.

Age Profile of Firefighters by Size of Community, 1987

Size of Community	Percent Fire Fighters under Age 30	Percent Fire Fighters Age 30-39	Percent Fire Fighters Age 40-49	Percent Fire Fighters Age 50 and up	Total
Mostly Volunteer Firefighters					
10,000 to 24,999	33.0%	33.8%	20.6%	12.6%	100.0%
5,000 to 9,999	35.8	32.4	19.1	12.7	100.0
2,500 to 4,999	34.6	32.5	19.3	13.6	100.0
Under 2,500	29.7	33.5	20.9	15.9	100.0

Source: NFPA Survey of Fire Departments for U.S. Fire Experience, 1987.

To cope with the dwindling and aging population of volunteer emergency responders, some states and many local units of government have discovered that providing benefits to volunteer first responders helps boost retention and recruitment. Volunteer benefits come in various forms. Communities provide length of service award programs (LOSAPs, pension-like programs for volunteer first responders), various tax and fee reductions, small cash payments for emergency calls responded to, reimbursement for expenses incurred, and a variety of others ranging from

free gym memberships, and award ceremonies. The types and levels of benefit vary widely by community.

Some states provide benefits, or at least authorize local units of government to provide benefits. Connecticut, New York and Alaska have authorized local units of government to provide property tax credits to their volunteer first responders. Delaware, Maryland and South Carolina offer their volunteers state income tax credits.

A Department of Labor ruling last year capped the value of benefits a first responder can receive each year and still be considered a volunteer. The ruling stated that a first responder loses their volunteer status if they receive more than 20 percent of what a career first responder, working the same number of hours in the same community would make in their place. This ruling hasn't affected most communities, where benefit levels don't come close to approaching the 20 percent threshold. However, the ruling has set an upper limit on volunteer benefits and some departments have been forced to take steps to ensure that their members are in compliance.

The federal government does not provide volunteer first responders with any taxable benefits, but the federal government does tax the benefits provided by state and local units of government. Federal taxation of volunteer first responder benefits has several effects. The most obvious effect is to reduce the value of the benefit, by reducing the take-home income of the individual receiving the benefit, hence reducing the incentive that the benefit was intended to provide.

H.R. 943 excludes from gross income any "property tax rebate or other benefit" provided by state or local units of government to a member of a qualified emergency response organization. Excluding property tax rebates from gross income will be particularly beneficial in states like mine, where local units of government are allowed to offer up to \$1,000 in property tax rebates. This type of benefit is particularly useful in communities where rising property taxes have made living in the community unaffordable to the volunteers that serve it. New York and Alaska allow local governments to offer similar benefits to their volunteers.

The "other benefits" that are not enumerated in H.R. 943 would cover a wide range of benefits that are provided to volunteer emergency responders in every state. There are so many different types of incentives provided to volunteer emergency responders across the country that it would be nearly impossible to list them all. The broad language used in H.R. 943 is extremely important so that states and communities will have the flexibility to provide whatever type of benefit they find to be most effective as retention and recruitment tools.

Federal taxation also imposes a significant administrative burden on units of government in small, rural communities (which rely heavily on volunteer emergency services) that have limited staff to process paperwork. Many of these communities have no staff at all and rely on marginally compensated elected officials to perform all administrative functions. In communities such as these, issuing tax documents and maintaining tax records for every member of the volunteer fire department can be an overwhelming task.

In addition to being an administrative burden, federal taxation of benefits provided to volunteer first responders can also be confusing. Many communities issue volunteers 1099 tax forms when

they should be issuing W-2 forms and vice versa. LOSAP's place in the federal tax structure is ambiguous at best, leading to a lack of portability and in some cases underfunding of programs. Small communities with severely limited resources often find the administrative and legal barriers associated with providing benefits to volunteer emergency responders prohibitive. By eliminating federal taxation of these benefits, H.R. 943 would also make it much easier for small communities to provide them.

The Joint Committee on Taxation estimates that passage of H.R. 943 would cost the federal government \$1.58 billion over 10 years. This estimate does not take into account the value of volunteer first responders in keeping local tax rates down. Communities provide benefits to their volunteer first responders as a retention and recruitment tool. Ultimately, by providing these benefits and maintaining a viable volunteer emergency responder force, communities are able to maintain lower local tax rates. Each year, the services provided by volunteer emergency responders save state and local taxpayers more than \$37.2 billion. The tax savings derived from volunteer first responders compared to the average year cost incurred by passage of H.R. 943 results in a cost to savings ratio of approximately 42 cents per \$100.

Table 3
H.R. 943 Cost Estimate

Fiscal Years											
[Millions of Dollars]											
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2007-12</u>	<u>2007-17</u>
-31	-126	-135	-146	-162	-172	-184	-196	-208	-221	-599	-1580

Source: Joint Committee on Taxation Letter to Congressman John Larson Dated July 16, 2007

The NVFC supports passage of H.R. 943, either as a standalone bill or as part of a package of multiple tax proposals in one bill. I would like to thank the subcommittees for the opportunity to speak here today and would be happy to take any questions at this time.