

# DEPARTMENT OF TAXATION

## 2023 Fiscal Impact Statement

1. **Patron** Bill D. Wiley

3. **Committee** House Finance

4. **Title** Individual Income Tax; Subtraction for  
Professional Firefighter Pension

2. **Bill Number** HB 2353

**House of Origin:**

X **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

### 5. **Summary/Purpose:**

This bill would establish an individual income tax subtraction for up to \$20,000 of firefighter benefits in Taxable Year 2023, up to \$30,000 in Taxable Year 2024, and up to \$40,000 in Taxable Year 2025 and thereafter. The subtraction would only be allowed for salaried, professional firefighters who receive such benefits as a result of employment by the Commonwealth, its political subdivisions, or a federal governmental entity.

6. **Budget amendment necessary:** No.

7. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

### 8. **Fiscal implications:**

#### Administrative Costs

The Department of Taxation ("the Department") considers implementation of this bill as routine, and does not require additional funding.

#### Revenue Impact

This bill would have an unknown but potentially significant negative impact to General Fund revenue beginning in Fiscal Year 2024. Some local government retirees affected by this legislation are covered by the Virginia Retirement System ("VRS"), while others are covered by separate retirement systems maintained by localities. Although VRS collects data for retirees by job group, more than half of all retirees are in an "unassigned" category, which makes it difficult to identify the specific number of retirees under VRS who may qualify. In addition, there is a lack of data regarding federal retirees and local retirees who are not covered by VRS who may be affected by this bill. As a result, the revenue loss is unknown but potentially significant. The magnitude of such unknown impact would increase over time as the subtraction amount increases.

**9. Specific agency or political subdivisions affected:**

Department of Taxation

**10. Technical amendment necessary:** No.

**11. Other comments:**

Virginia Firefighter Tax Preferences

The governing body of any locality may, by ordinance, provide a credit against taxes and fees imposed by the locality to an individual who provides approved volunteer services, including firefighting and fire prevention services, in the locality. The locality may allow the credit to be used against the individual's liability for a limited number of taxes, fees, or other charges imposed by the locality.

Proposed Legislation

This bill would establish an income tax subtraction for up to \$20,000 of firefighter benefits in Taxable Year 2023, up to \$30,000 in Taxable Year 2024, and up to \$40,000 in Taxable Year 2025 and thereafter. The subtraction would only be allowed for salaried, professional firefighters who receive such benefits as a result of employment by the Commonwealth, its political subdivisions, or a federal governmental entity.

The bill would define "firefighter benefits" to include (i) retirement income received for rendering duties related to the provision of firefighting services and (ii) benefits paid to the surviving spouse of a firefighter whose death occurred in the line of duty.

"Firefighting services" would be defined as fire prevention services, fire suppression services, and other services related to the extinguishment of fires.

The subtraction would not be allowed if a credit, exemption, subtraction, or deduction is claimed for the same income pursuant to any other provision of Virginia or federal law.

Similar Legislation

**Senate Bill 1403** is identical to this bill.

cc : Secretary of Finance

Date: 1/22/2023 VB  
HB2353F161