

106TH CONGRESS
1ST SESSION

H. R. 1870

To amend the Internal Revenue Code of 1986 to allow a deduction for contributions to a volunteer firefighter savings account.

IN THE HOUSE OF REPRESENTATIVES

MAY 19, 1999

Mr. LARSON (for himself and Mr. WELDON of Pennsylvania) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to allow a deduction for contributions to a volunteer firefighter savings account.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Volunteer Firefighter’s
5 Relief Act”.

6 **SEC. 2. DEDUCTION FOR CONTRIBUTIONS TO VOLUNTEER**
7 **FIREFIGHTER SAVINGS ACCOUNTS.**

8 (a) IN GENERAL.—Part VII of subchapter B of chap-
9 ter 1 of the Internal Revenue Code of 1986 (relating to
10 additional itemized deductions for individuals) is amended

1 by redesignating section 222 as section 223 and by insert-
 2 ing after section 221 the following new section:

3 **“SEC. 222. CONTRIBUTIONS TO VOLUNTEER FIREFIGHTER**
 4 **SAVINGS ACCOUNTS.**

5 “(a) DEDUCTION ALLOWED.—

6 “(1) IN GENERAL.—In the case of an individual
 7 who is a qualified volunteer firefighter, there shall be
 8 allowed as a deduction for the taxable year an
 9 amount equal to the contributions of the individual
 10 to a volunteer firefighter savings account of the indi-
 11 vidual for the taxable year.

12 “(2) MAXIMUM ANNUAL AMOUNT.—The
 13 amount allowable as a deduction under subsection
 14 (a) to any individual for a taxable year shall not ex-
 15 ceed \$500.

16 “(b) QUALIFIED VOLUNTEER FIREFIGHTER.—For
 17 purposes of this section, the term ‘qualified volunteer fire-
 18 fighter’ means an individual who, on the last day of the
 19 taxable year, is a member in good standing of a qualified
 20 volunteer fire department (as defined in section 150(e)).

21 “(c) VOLUNTEER FIREFIGHTER SAVINGS AC-
 22 COUNT.—For purposes of this section, the term ‘volunteer
 23 firefighter savings account’ means a trust created or orga-
 24 nized in the United States for the exclusive benefit of an
 25 individual and the individual’s beneficiaries, but only if the

1 written governing instrument creating the trust meets the
2 following requirements:

3 “(1) No contribution will be accepted unless it
4 is in cash.

5 “(2) The trustee is a bank (as defined in sec-
6 tion 408(n)) or another person who demonstrates to
7 the satisfaction of the Secretary that the manner in
8 which that person will administer the trust will be
9 consistent with the requirements of this section.

10 “(3) No part of the trust assets will be invested
11 in life insurance contracts.

12 “(4) The assets of the trust will not be commin-
13 gled with other property except in a common trust
14 fund or common investment fund.

15 “(5) The interest of an individual in the bal-
16 ance of the individual’s account is nonforfeitable.

17 “(d) TAX TREATMENT OF DISTRIBUTIONS.—

18 “(1) IN GENERAL.—Except as otherwise pro-
19 vided in this subsection, any amount paid or distrib-
20 uted out of a volunteer firefighter savings account
21 shall be included in the gross income of the payee
22 or distributee for the taxable year in which the pay-
23 ment or distribution is received in the manner pro-
24 vided under section 72.

1 “(2) EXCESS CONTRIBUTIONS RETURNED BE-
 2 FORE DUE DATE OF RETURN.—Paragraph (1) shall
 3 not apply to the distribution of any contribution paid
 4 during a taxable year to a volunteer firefighter sav-
 5 ings account to the extent that such contribution ex-
 6 ceeds the amount allowable as a deduction under
 7 subsection (a) if—

8 “(A) such distribution is received on or be-
 9 fore the day prescribed by law (including exten-
 10 sions of time) for filing such individual’s return
 11 for such taxable year,

12 “(B) no deduction is allowed under sub-
 13 section (a) with respect to such excess contribu-
 14 tion, and

15 “(C) such distribution is accompanied by
 16 the amount of net income attributable to such
 17 excess contribution.

18 Any net income described in subparagraph (C) shall
 19 be included in the gross income of the individual for
 20 the taxable year in which such excess contribution
 21 was made.

22 “(3) ROLLOVER CONTRIBUTIONS.—

23 “(A) IN GENERAL.—Paragraph (1) shall
 24 not apply to any amount paid or distributed to
 25 an account holder from a volunteer firefighter

1 savings account to the extent that the amount
2 received is paid into an individual retirement
3 plan (as defined in section 7701(37)) for the
4 benefit of the account holder not later than the
5 60th day after the day on which the account
6 holder receives the payment or distribution.

7 “(B) LIMITATION.—Subparagraph (A)
8 shall not apply to any payment or distribution
9 described in subparagraph (A) if, at any time
10 during the 1-year period ending on the day of
11 such receipt, such account holder received any
12 other amount described in subparagraph (A)
13 which was not includible in the account holder’s
14 gross income because of the application of sub-
15 paragraph (A).

16 “(4) INVESTMENT IN COLLECTIBLES TREATED
17 AS DISTRIBUTIONS.—Rules similar to the rules of
18 section 408(m) shall apply for purposes of this sec-
19 tion.

20 “(e) TAX TREATMENT OF ACCOUNTS.—

21 “(1) EXEMPTION FROM TAX.—A volunteer fire-
22 fighter savings account is exempt from taxation
23 under this subtitle unless such account has ceased to
24 be a volunteer firefighter savings account by reason
25 of paragraph (2). Notwithstanding the preceding

1 sentence, any such account is subject to the taxes
2 imposed by section 511 (relating to imposition of tax
3 on unrelated business income of charitable, etc. or-
4 ganizations).

5 “(2) LOSS OF EXEMPTION OF ACCOUNT WHERE
6 INDIVIDUAL ENGAGES IN PROHIBITED TRANS-
7 ACTION.—

8 “(A) IN GENERAL.—If the individual for
9 whose benefit a volunteer firefighter savings ac-
10 count is established or any individual who con-
11 tributes to such account engages in any trans-
12 action prohibited by section 4975 with respect
13 to the account, the account shall cease to be a
14 volunteer firefighter savings account as of the
15 first day of the taxable year (of the individual
16 so engaging in such transaction) during which
17 such transaction occurs.

18 “(B) ACCOUNT TREATED AS DISTRIBUTING
19 ALL ITS ASSETS.—In any case in which any ac-
20 count ceases to be a volunteer firefighter sav-
21 ings account by reason of subparagraph (A) as
22 of the first day of any taxable year, paragraph
23 (1) of subsection (d) shall apply as if there was
24 a distribution on such first day in an amount
25 equal to the fair market value (on such first

1 day) of all assets in the account (on such first
2 day).

3 “(3) EFFECT OF PLEDGING ACCOUNT AS SECU-
4 RITY.—If, during any taxable year, the individual for
5 whose benefit a volunteer firefighter savings account
6 is established uses the account or any portion there-
7 of as security for a loan, the portion so used shall
8 be treated as distributed to the individual so using
9 such portion.

10 “(f) SPECIAL RULES.—

11 “(1) TIME WHEN CONTRIBUTIONS DEEMED
12 MADE.—A taxpayer shall be deemed to have made a
13 contribution to a volunteer firefighter savings ac-
14 count on the last day of the preceding taxable year
15 if the contribution is made on account of such tax-
16 able year and is made not later than the time pre-
17 scribed by law for filing the return for such taxable
18 year (not including extensions thereof).

19 “(2) DEATH AND DIVORCE.—Rules similar to
20 the rules of sections 401(a)(9), 401(a)(11), and
21 408(d)(6) shall apply for purposes of this section.

22 “(3) COMMUNITY PROPERTY LAWS.—This sec-
23 tion shall be applied without regard to any commu-
24 nity property laws.

1 “(g) REPORTS.—The trustee of a volunteer fire-
 2 fighter savings account shall make such reports regarding
 3 such account to the Secretary and to the account holder
 4 with respect to contributions, distributions, and such other
 5 matters as the Secretary may require under regulations.
 6 The reports required by this subsection shall be filed at
 7 such time and in such manner and furnished to such indi-
 8 viduals at such time and in such manner as may be re-
 9 quired by those regulations.”.

10 (b) ALLOWANCE OF DEDUCTION IN COMPUTING AD-
 11 JUSTED GROSS INCOME.—Subsection (a) of section 62 of
 12 such Code (defining adjusted gross income) is amended
 13 by inserting after paragraph (17) the following new para-
 14 graph:

15 “(18) CONTRIBUTIONS TO VOLUNTEER FIRE-
 16 FIGHTER SAVINGS ACCOUNTS.—The deduction al-
 17 lowed by section 222(a).”.

18 (c) ADDITIONAL TAX ON EARLY DISTRIBUTIONS.—
 19 Subsection (t) of section 72 of such Code (relating to 10-
 20 percent additional tax on early distributions from qualified
 21 retirement plans) is amended—

22 (1) in paragraph (1) by inserting “or a volun-
 23 teer firefighter savings account” after “section
 24 4974(c))”, and

1 (2) in the heading by striking “QUALIFIED RE-
 2 TIREMENT PLANS” and inserting “CERTAIN TAX-
 3 FAVORED PLANS”.

4 (d) TAX ON EXCESS CONTRIBUTIONS.—Section 4973
 5 of such Code (relating to tax on excess contributions to
 6 certain tax-favored accounts and annuities) is amended—

7 (1) in subsection (a) by striking “or” at the end
 8 of paragraph (3), by inserting “or” at the end of
 9 paragraph (4), and by inserting after paragraph (4)
 10 the following new paragraph:

11 “(5) an investment savings account (within the
 12 meaning of section 222(c)),”, and

13 (2) by adding at the end the following new sub-
 14 section:

15 “(g) EXCESS CONTRIBUTIONS TO VOLUNTEER FIRE-
 16 FIGHTER SAVINGS ACCOUNTS.—For purposes of this sec-
 17 tion, in the case of a volunteer firefighter savings account,
 18 the term ‘excess contributions’ means the sum of—

19 “(1) the aggregate amount contributed for the
 20 taxable year to the account which is not allowable as
 21 a deduction under section 222 for such taxable year,
 22 and

23 “(2) the amount determined under this sub-
 24 section for the preceding taxable year, reduced by—

1 “(A) the distributions out of the accounts
2 which were included in gross income under sec-
3 tion 222(d)(1) for the taxable year, over

4 “(B) the amount contributed to the ac-
5 counts for the taxable year.

6 For purposes of this subsection, any contribution
7 which is distributed out of the investment savings
8 account in a distribution to which section 222(d)(2)
9 applies shall be treated as an amount not contrib-
10 uted.”.

11 (e) TAX ON PROHIBITED TRANSACTIONS.—Section
12 4975 of such Code (relating to prohibited transactions)
13 is amended—

14 (1) by adding at the end of subsection (c) the
15 following new paragraph:

16 “(6) SPECIAL RULE FOR VOLUNTEER FIRE-
17 FIGHTER SAVINGS ACCOUNTS.—An individual for
18 whose benefit a volunteer firefighter savings account
19 is established and any contributor to such account
20 shall be exempt from the tax imposed by this section
21 with respect to any transaction concerning such ac-
22 count (which would otherwise be taxable under this
23 section) if, with respect to such transaction, the ac-
24 count ceases to be a volunteer firefighter savings ac-

1 count by reason of the application of section 222 to
 2 such account.”, and

3 (2) in subsection (e)(1), by striking “or” at the
 4 end of subparagraph (E), by redesignating subpara-
 5 graph (F) as subparagraph (G), and by inserting
 6 after subparagraph (E) the following new subpara-
 7 graph:

8 “(F) a volunteer firefighter savings ac-
 9 count described in section 222, or”.

10 (f) FAILURE TO PROVIDE REPORTS ON VOLUNTEER
 11 FIREFIGHTER SAVINGS ACCOUNTS.—Paragraph (2) of
 12 section 6693(a) of such Code (relating to failure to provide
 13 reports on certain tax-favored accounts or annuities) is
 14 amended by striking “and” at the end of subparagraph
 15 (C), by striking the period at the end of subparagraph (D)
 16 and inserting “, and”, and by adding at the end the fol-
 17 lowing new subparagraph:

18 “(E) section 222(g) (relating to volunteer
 19 firefighter savings accounts).”.

20 (g) CONFORMING AMENDMENTS.—

21 (1) Paragraph (1) of section 408(a) is amended
 22 by inserting “222(d)(3),” before “402(c)”.

23 (2) The table of sections for part VII of sub-
 24 chapter B of chapter 1 of such Code is amended by

1 striking the item relating to section 222 and insert-
2 ing the following new items:

“Sec. 222. Contributions to volunteer firefighter savings accounts.
“Sec. 223. Cross reference.”

3 (h) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to taxable years beginning after
5 the date of the enactment of this Act.

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