



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

OFFICE OF
CHIEF COUNSEL

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Dear _____ :

This letter responds to your letter of February 2, 2009, asking for an explanation of the types of benefits that section 139B of the Internal Revenue Code (Code) excludes from gross income, and the meaning of the term "qualified reimbursement payment."

Section 139B of the Code excludes from gross income any "qualified state and local tax benefit" and any "qualified payment". A qualified state and local tax benefit is any reduction or rebate of state or local real property taxes, personal property taxes, or income taxes that a state or local government provides for services performed as a member of a qualified volunteer emergency response organization.

A qualified payment is any payment (whether by reimbursement or otherwise) that a state or local government provides for services performed as a member of a qualified volunteer emergency response organization. A qualified payment is limited to \$30 for each month during which the taxpayer performs the services. Thus, the maximum exclusion is \$360 for any taxable year.

A "qualified reimbursement payment" is a payment a state or local government provides to reimburse expenses incurred in connection with performing services as a member of a qualified volunteer emergency response organization. See Joint Committee on Taxation Staff (JCS-1-09), *General Explanation of Tax Legislation Enacted in the 110th Congress*, 110th Cong., March 2009.

The exclusion from income for "qualified payments" under section 139B of the Code, however, is not limited to reimbursements. Thus, a taxpayer excludes from gross income qualified payments, even if they do not reimburse an expense, if the qualified

payments do not exceed \$30 for each month during which the taxpayer performs services as a member of a qualified volunteer emergency response organization.

To prevent double benefits, however, a taxpayer cannot deduct for federal income tax purposes the amount of state or local taxes equal to the amount of any qualified state and local tax benefit. Likewise, a taxpayer cannot take a charitable contribution deduction for any expense paid in connection with performing services as a member of a volunteer emergency response organization to the extent the expense does not exceed the amount of any qualified payment.

I hope this information is helpful. Please call _____ at _____ if you have any questions.

Sincerely,

Michael J. Montemurro
Chief, Branch 4
Office of Associate Chief Counsel
(Income Tax and Accounting)