



OFFICE OF  
CHIEF COUNSEL

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

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Dear \_\_\_\_\_ :

I am responding to your inquiry dated January 1, 2016, to President Barack Obama. You asked that your disability retirement payments remain nontaxable and asked why the law changed.

Generally, an employee can exclude payments for on-the-job injuries or illness from his or her gross income as workers' compensation under section 104(a)(1) of the Internal Revenue Code. The exclusion of payments does not apply, however, to a retirement pension or annuity determined by an employee's age, length of service, or prior contributions, even if an occupational injury or sickness caused the employee to retire.

It is possible you are receiving your service-connected disability benefits according to a Florida statute that requires converting the payments to regular retirement at a specified age. Any benefits you receive after reaching that age would not qualify for exclusion from gross income if your benefits are then determined with reference to years of service, age, or prior contributions. These long-standing principles are not related to any recent change in federal law or IRS position.

I hope this information is helpful. If you need additional information, please contact me  
or of my staff at .

Sincerely,

Christine Ellison  
Acting Chief, Health and Welfare Branch  
Office of Associate Chief Counsel  
(Tax Exempt and Government Entities)