Length of Service Award Programs

In General

Length of Service Award Programs (LOSAP) are pension-like programs administered at the local level that are used as an incentive for the recruitment and retention of volunteer firefighters and emergency medical services (EMS) personnel. Currently, all but three of the major jurisdictions in the State administer LOSAPs, the exceptions being Dorchester and Wicomico counties. Baltimore City’s fire department is entirely a professional entity and firefighter pensions are administered by the city’s Fire and Police Employees’ Retirement System. A small number of municipalities in the State also have LOSAPs for their fire and EMS volunteers, including Ocean City, Salisbury, Easton, and St. Michaels. The statutory authority for the LOSAPs that are administered by counties is listed in Exhibit 1.

LOSAPs are locally funded out of the general operating budget, the dedicated fire-rescue tax, or an annuity. Contributions made by the local government into a LOSAP plan on behalf of a volunteer are income tax deferred under federal and State tax laws. Under federal income tax law, § 457 of the Internal Revenue Code specifies the requirements that must be met by deferred compensation plans sponsored by governmental employers in order for taxation to be deferred until the plan beneficiary actually receives benefits under the plan (rather than at vesting when the benefits are “constructively received” or made available to the volunteer). Although LOSAPs are technically deferred compensation plans, they are unique in that they are administered on behalf of volunteers who receive little or no compensation, and would therefore almost always fail to satisfy the § 457 requirements. Section 457(e)(11) therefore specifically excludes LOSAPs from those requirements, assuming certain criteria relating to volunteer status and annual accrual amounts are satisfied, and LOSAP benefits are not includible in the volunteer’s gross income until they are paid out to the volunteer. In addition, benefits from qualifying LOSAPs are not considered “wages” for FICA tax purposes. Under State law, § 10-207(g) of the Tax – General Article specifically excludes (in the form of a subtraction modification) LOSAP payments from State income taxation.

The legislation increases Length of Service Award Program (LOSAP) benefits for the Anne Arundel County volunteer firefighter corps to ensure the County can continue to recruit and retain good candidates. If active for 7 of the last 10 years, a volunteer will see an increased benefit depending on length of service. Volunteer with 25 to 34 years of service will receive $300 per month. Volunteers with 35 to 44 years of service will receive $350 per month. And volunteers with 45 years or more of service will receive $400 per month.

Maryland State Income Tax Deduction

Individuals who have completed 36 months of active service and have earned a minimum of 50 points in the taxable year, or who has vested interest in LOSAP, may subtract $4,750 from their Maryland income tax return. ($4,500 is the subtraction allowance for calendar year 2017. The allowance will increase by $250 per year until it reaches a $5,000 benefit.)
SPECIAL NOTE:
Members who complete all of the annual refresher training as required by the Anne Arundel County Fire Department are eligible to receive credit for a 6 hour course in this point category.