

**INTERNAL REVENUE SERVICE**

November 8, 2002

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

I apologize for the delay in responding to your letter to Commissioner Rossotti, dated September 10, 2002, about the taxation of property tax relief provided to volunteer emergency responders.

In recognition of the valuable services volunteer emergency responders provide, communities are offering these volunteers partial abatements or exemptions from property taxes. The reduction of property taxes is a benefit for the volunteers based on their performance of services. Generally, payment, in any form, to an individual for services is taxable income to the individual unless an exclusion applies [Section 61(a) of the Internal Revenue Code].

We are examining the income tax ramifications of these property tax abatements. Before the end of the year, we expect to release a written determination of whether the property tax abatements are taxable income to the volunteers.

I hope this information is helpful. If you have any questions, please contact me at \_\_\_\_\_ or \_\_\_\_\_ of my office at \_\_\_\_\_.

Sincerely,  
James L. Atkinson  
Associate Chief Counsel  
(Income Tax & Accounting)