

By Representatives Putnam and Dockery

1 A bill to be entitled
2 An act relating to the Florida Retirement
3 System; directing the Division of Retirement of
4 the Department of Management Services to
5 identify and locate specified members of the
6 Florida Retirement System who have received
7 in-line-of-duty disability benefits or
8 in-line-of-duty death benefits; providing for
9 the reimbursement of such members for income
10 taxes paid in error on such benefits prior to a
11 specified date; authorizing the division to
12 adopt rules; providing an effective date.

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14 WHEREAS, prior to 1996, members of the Florida
15 Retirement System who received in-line-of-duty disability
16 benefits or in-line-of-duty death benefits paid federal income
17 taxes on such benefits, and

18 WHEREAS, in 1996, the Division of Retirement of the
19 Florida Department of Management Services requested and
20 received an Internal Revenue Service Letter Ruling regarding
21 the tax status of in-line-of-duty disability benefits and
22 in-line-of-duty death benefits, and

23 WHEREAS, the Internal Revenue Service ruled that such
24 benefits are considered "in the nature of a Workers'
25 Compensation Act under Section 1.104-1(b) of the Regulations
26 (IRS)" and are excludable from gross income; therefore, such
27 distributions are not considered taxable income, and

28 WHEREAS, upon receipt of the Letter Ruling from the
29 Internal Revenue Service, the Division of Retirement ceased
30 withholding tax on monthly benefit checks to which the ruling
31 applied, and

1 WHEREAS, recipients of in-line-of-duty disability
2 benefits and in-line-of-duty death benefits under the Florida
3 Retirement System were notified by the Division of Retirement
4 that they may be eligible for a refund from the Internal
5 Revenue Service of taxes paid on such benefits for certain
6 prior years and were advised to file for a refund of such
7 taxes, and

8 WHEREAS, a claim for a refund filed with the Internal
9 Revenue Service is generally valid if it is filed either
10 within 3 years after the tax return for that year was filed,
11 or within 2 years after the tax for that year was paid, and

12 WHEREAS, because the ruling from the Internal Revenue
13 Service and subsequent notification to affected Florida
14 Retirement System members occurred in 1996, members who had
15 erroneously paid taxes prior to 1994 were precluded from
16 seeking or obtaining a refund under the time limits for
17 asserting a claim for refund set by the Internal Revenue
18 Service, NOW, THEREFORE,

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20 Be It Enacted by the Legislature of the State of Florida:

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22 Section 1. The Division of Retirement of the
23 Department of Management Services is directed to identify and
24 locate those members of the Florida Retirement System who paid
25 federal income taxes on specified in-line-of-duty disability
26 benefits or in-line-of-duty death benefits prior to 1994, and
27 to reimburse such members for any taxes erroneously paid and
28 not refunded by the Internal Revenue Service from funds of the
29 Florida Retirement System. The Division of Retirement is
30 authorized to adopt rules pursuant to ss. 120.536(1) and

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1 120.54, Florida Statutes, to implement the provisions of this
2 act.

3 Section 2. This act shall take effect upon becoming a
4 law.

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7 HOUSE SUMMARY

8 Directs the Division of Retirement of the Department of
9 Management Services to identify and locate specified
10 members of the Florida Retirement System who have
11 received in-line-of-duty disability benefits or
12 in-line-of-duty death benefits. Provides for the
13 reimbursement of such members for income taxes paid in
14 error on such benefits prior to 1994.
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