

JLC Position Paper  
**Military Family Relief Fund**

1. **OBJECTIVE:** To find an administrative or legislative solution so that grants from the Virginia Military Family Relief Fund (VMFRF) are not treated as taxable income.
  
2. **BACKGROUND:**
  - The VMFRF (Virginia Code 44-102.2) was established in 2006 to assist military families that are having difficulty meeting basic needs due to military deployments.
  - Under the VMFRF, Guardsmen and Reservists who have been called to extended active duty (periods in excess of 90 days) or their family members may apply for financial relief to meet basic needs, such as food, housing, utilities, and medical care.
  - 51 awards were made in FY09, totaling \$54,224.
  - The VMFRF is eligible for donations through the Virginia Income Tax Return “check off.” To date, over \$33,000 has been received.
  - Disbursements from the VMFRF are treated as taxable income.
  
3. **DISCUSSION:**
  - Taxing VMFRF disbursements means that only a portion of the funds may be used for the intended purpose. This is contrary to the purpose of the VMFRF, which is to provide relief to military families, not to return revenue to the state.
  - In January 2009, the Virginia Department of Taxation estimated that exempting distributions from the VMFRF would reduce General Fund revenues by only \$7,200 per year.
  
4. **RECOMMENDATION:** That an administrative or legislative solution be found so that grants from the Military Family Relief Fund are not treated as taxable income.