



## Pennsylvania Compensation Rating Bureau

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### PENNSYLVANIA TEST AUDIT PROGRAM BULLETIN #32

#### REMUNERATION - THE HEART AND LUNG ACT

At a meeting of the Audit Committee held on August 15, 1995 at the Bureau offices, the Committee was asked to review remuneration earned by employees entitled to compensation provided by the Heart and Lung Act. The Act provides a special form of workers compensation benefit to professional police officers and firefighters injured on the job. The compensation under the Act is only provided to the aforementioned employees when the work related injury is temporary but totally disabling.

Typical of the injuries covered by the Heart and Lung Act are sprains and strains, back and knee injuries and broken bones. Police officers and firefighters typically recover from these kinds of injuries, so they are temporary. However, during the recovery process, the employees tend to be unable to perform their jobs.

Heart and Lung compensation provides to the employee 100 percent of his standard straight-time pay, while maintaining all benefits and the insured employee is entitled to the benefit of any pay raises which occur during the period of his/her disability. The Workers' Compensation Act only allows for payment of approximately two-thirds of the employee's salary at the time of injury.

The Audit Committee voted to exclude remuneration paid under the Heart and Lung Act subject to verification of the appropriate supporting documentation by the auditor.

Reasons cited for excluding such remuneration included:

- Such compensation is considered workers compensation payments which are not construed to be remuneration.
- Remuneration paid under the Heart and Lung Act is a benefit prescribed by law i.e., municipal employers had no choice but to grant this remuneration. As such, these payments should be treated as a benefit provided by the employer and not included as remuneration. In contrast, regular sick pay is voluntarily provided to employees as wages earned for services rendered and is therefore included as remuneration.
- While sick pay is included as salary for income taxation, payments under the Heart and Lung Act are excluded for income tax purposes.

RS/lp