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After the Check Clears

A Sirmium Research Letter · For 9/11 Families

William Harrison, Founder and Chief Investment Officer · July 2026

A Sirmium Research Letter for 9/11 families, on the planning that starts when the award arrives.

From William Harrison, Founder and Chief Investment Officer, Sirmium Capital

For families who have waited years, a VCF or USVSST award finally arriving is a relief. It is also the start of a second set of decisions. The lawyers' work ends when the check clears. The planning begins there. This note is about the questions that come next, and where to take them.

The tax question is really two questions

These are two different funds with two different tax answers, and blurring them is where the expensive mistakes start.

A VCF award. The principal of a September 11th Victim Compensation Fund award is excluded from federal income. The IRS says so directly in Publication 3920. At the federal level, that part is settled. It does not, by itself, answer state income tax or estate tax, which are separate questions with their own rules.

A USVSST payment. This one is different, and you should be careful with anyone who tells you it is simply tax-free. There is no blanket exclusion for a payment from the U.S. Victims of State Sponsored Terrorism Fund. Whether it is taxable depends on what it compensates. The portion for physical injury or death is generally excludable under Section 104(a)(2) of the tax code; interest, punitive, and income-replacement or lost-earnings portions are generally taxable, and any investment income you earn after the money is invested is taxable. The Fund itself issues no 1099 and takes no position. It tells families to ask a tax professional. No 1099 is the Fund's practice, not proof that a payment is untaxed.

Before you file, have your own tax professional look at the character of what you actually received. This is the kind of question that is cheap to ask early and expensive to get wrong.

One worry you can set down

Families ask this one constantly: does a VCF award cut into a USVSST payment? It does not. An older rule once counted VCF against the Fund, but Congress removed it in 2019, so a VCF award neither disqualifies nor shrinks your USVSST payment. You still report it on the application, but it is not treated as an offset against what the Fund pays you.

The relationship does run the other way, though, and it is worth knowing. A USVSST payment can count as a collateral offset that reduces a VCF award. So if both funds are in play for your family, the order and the timing matter, and that is a calculation for your VCF counsel and CPA, not a rule of thumb.

> **The one line worth keeping.** A VCF award does not reduce your USVSST payment. Congress removed it from the list of offsetting sources in 2019.

The benefits question people forget until it is too late

A large lump sum can quietly threaten a benefit that a family member depends on. Means-tested benefits like SSI and Medicaid look at resources, so a retained award can push a recipient over the limit and suspend the benefit until it is spent down or properly sheltered. Benefits earned through a work record, like SSDI and Medicare, are not resource-tested and are not threatened the same way.

The tools that protect a means-tested benefit, such as a properly drafted special needs trust, generally have to be set up correctly, and often before the money arrives. That makes this a conversation for a benefits or elder-law attorney, and one to have early rather than after a benefit has already lapsed. The rules are state-specific and no two situations are alike, so this is guidance to get in person, not from a rule of thumb.

Before you sell your judgment

If your family holds a judgment against a state sponsor of terrorism, you may get offers from firms to buy your future payments for a lump sum today. Two things are worth knowing before you entertain one.

First, accepting a Fund payment does not extinguish your judgment. By statute you keep your creditor rights to the unpaid balance, including interest and punitive amounts, and the government steps into your shoes only for the exact amount it actually paid you. Second, selling that future stream is usually irreversible, and usually expensive relative to what you are giving up.

Before you sign anything with a firm offering to buy your judgment or your payments, put the offer in front of your own attorney and a CPA. The people offering to buy are not the people to ask whether you should sell.

What to do with the award

The award closes one chapter and opens another. Three things are worth getting right early: the tax character of what you received, the protection of any means-tested benefit in the family, and a slow second look at anything you cannot undo. None of that carries a deadline, which is exactly why it tends to get skipped. A short conversation with the right professional now costs far less than unwinding a mistake later.

We send a plain-English 9/11 Family Update when something in the rules or the funds actually changes, and a 15-minute call is a calm place to think any of this through. No products, and no obligation.

William Harrison

Founder and Chief Investment Officer, Sirmium Capital

Sources. IRS Publication 3920 and IRC Section 139(f) (VCF award principal excluded from federal income); IRC Section 104(a)(2) and 34 U.S.C. 20144(j)(3) (USVSST is character-dependent; interest and punitive portions are generally taxable); 34 U.S.C. 20144(j)(6) as amended by the 2019 Clarification Act (a VCF award is not a USVSST offset); 34 U.S.C. 20144(d)(5) (a Fund payment does not extinguish your judgment); Social Security POMS on awards and SSI resource limits (the general benefits framework). Rules and figures are subject to change; confirm the specifics with your own attorney and tax professional.