

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0856-02
Bill No.: HB 204
Subject: Fire Protection; Revenue Department; Tax Credits; Taxation and Revenue
Type: Original
Date: January 20, 2009

Bill Summary: This proposal authorizes an income tax credit for volunteer firefighters.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	(\$88,430) to (\$2,428,430)	(\$93,228) to (\$4,773,228)	(\$96,026) to (\$4,776,026)
Total Estimated Net Effect on General Revenue Fund	(\$88,430) to (\$2,428,430)	(\$93,228) to (\$4,773,228)	(\$96,026) to (\$4,776,026)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	2 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	2	2	2

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Public Safety - Division of Fire Safety (DFS)** state this legislation will provide for a tax credit for volunteer fire fighters who meet specific training requirements. This legislation provides for a tax credit of \$180 annually for volunteers who complete 12 hours of training approved by the Division of Fire Safety. Additionally, the legislation provides a \$360 tax credit for volunteer fire fighters who completes the Basic Fire Fighter course, or Fire Fighter 1 or 2 certification, or a minimum of 36 hours of fire fighting annually. According to the legislation, the DFS would be responsible for developing procedures for this process, administering the training programs and verifying the fire fighter is in good standing with a registered fire department, and verifying the training hours for individuals applying for the credit.

The Division of Fire Safety has administered and maintained a training and certification program for fire fighters for nearly 20 years. Due to the number of fire fighters and emergency responders who have been previously trained and certified, adding this requirement would increase the workload of the program. Therefore, the Division would request a one-thousand hour clerical position to process and evaluate the applications for tax credit eligibility, along with supporting expense funding to administer these additional duties.

The Division estimates there are 625 volunteer fire departments with 12,652 fire fighters. Additionally, there are 80 part volunteer/part paid departments with another 3,211 fire fighters in the State of Missouri.

The division currently offers 15 levels of certification and numerous training programs and has issued over 50,000 certifications since the program's implementation in 1986.

This number will only continue to grow as there are approximately 4,000 individuals certified annually.

DFS estimates the cost of the part-time clerical position to be roughly \$12,000 per year.

Officials from the **Department of Revenue (DOR)** state due to the Statewide Information Technology Consolidation, DOR's response to a proposal will now also reflect the cost estimates prepared by OA-IT for impact to the various systems. As a result, the impact shown may not be the same as previous fiscal notes submitted. In addition, if the legislation is Truly Agreed To and Finally Passed the OA-IT costs shown will be requested through appropriations by OA-IT.

ASSUMPTION (continued)

Office of Administration Information Technology (ITSD DOR) estimates the IT portion of this request can be accomplished within existing resources; however; if priorities shift, additional FTE/overtime would be needed to implement. Office of Administration Information Technology (ITSD DOR) estimates that this legislation could be implemented utilizing 1 existing CIT III for 1 month for modifications to MINITS. The estimated cost is \$4,441.

DOR states the Department of Public Safety states there are a total of 25,000 firefighters in Missouri. The Division of Fire Safety estimates that approximately 80% of these are volunteer firefighters; therefore, it is estimated that there are approximately 18,000-20,000 volunteer firefighters in Missouri. This is an estimated number as volunteer firefighters are not required to register with the state. The response to HB 1367 (2008) did not include the approximate number of volunteer firefighters; therefore, the Department's response was based on one (1) FTE for every 6,000 credits claimed. For this proposal, DOR assumes the need for three Revenue Processing Technicians at a total annual cost of roughly \$140,000.

With an estimate of 13,000 tax credits redeemed, **Oversight** will assume the Department of Revenue will be able to administer the tax credits with two FTE instead of the three FTE requested. Oversight also assumes the Department of Revenue will not incur additional floor space expense from the additional two FTE.

Officials from the **Office of Administration - Budget and Planning** state the proposal authorizes an income tax credit of \$180 per taxpayer that has completed certain training requirements and a \$360 income tax credit per taxpayer that has completed Basic additional certification programs. The Department of Public Safety estimates that there are around 13,000 volunteer firefighters that might qualify for the \$180 credit. This could therefore lower general revenue and total state revenues by \$2.34 million. If the same taxpayers qualify for the \$360 tax credit, general and total state revenues could be lower by \$4.68 million.

Officials from the **Office of the Secretary of State (SOS)** state that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the

ASSUMPTION (continued)

finally approved bills signed by the governor.

Oversight will range the fiscal impact of the tax credit from \$0 (no firefighters taking advantage of the credit) to a loss in general revenues of \$2.34 million (estimated 13,000 volunteer firefighters x \$180 maximum tax credit) in the first year and \$4.68 million (same 13,000 firefighters x \$360 credit) in subsequent years. The fiscal impact could be substantially less if fewer firefighters apply for the credit and if those that do apply for the credit only qualify for the \$180 credit instead of the \$360 credit. The credit is for tax years beginning on or after January 1, 2009, therefore, Oversight will show a potential loss from the proposal in FY 2010.

Oversight compared the total tax credit issuances relative to the total tax credit redemptions for the previous four years in order to determine a relationship between the two. Oversight discovered that the annual redemptions ranged from 81 percent to 86 percent of the annual issuances. Depending on the program, the redeemed credits may have been issued several years prior and carried forward to the years studied; however, Oversight will utilize an estimated redemption total of 83 percent of tax credits issued. Therefore, under this proposal, if \$4,680,000 of credits are issued, Oversight would assume \$3,884,400 (83%) of credits to be redeemed, reducing Total State Revenues.

This proposal will decrease Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
GENERAL REVENUE			
<u>Costs - Department of Public Safety</u>			
Part-time clerical position	(\$12,089)	(\$12,154)	(\$12,518)
<u>Costs - Department of Revenue</u>			
Personal Service (2 FTE)	(\$43,569)	(\$53,851)	(\$55,467)
Fringe Benefits	(\$21,188)	(\$26,187)	(\$26,974)
Expense and Equipment	<u>(\$11,584)</u>	<u>(\$1,036)</u>	<u>(\$1,067)</u>
<u>Total Costs - DOR</u>	(\$76,341)	(\$81,074)	(\$83,508)
FTE Change - DOR	2 FTE	2 FTE	2 FTE
<u>Loss - Tax Credit for volunteer firefighter training</u>	\$0 to <u>(\$2,340,000)</u>	\$0 to <u>(\$4,680,000)</u>	\$0 to <u>(\$4,680,000)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	(\$88,430) to <u>(\$2,428,430)</u>	(\$93,228) to <u>(\$4,773,228)</u>	(\$96,026) to <u>(\$4,776,026)</u>
Estimated Net FTE Change for General Revenue Fund	2 FTE	2 FTE	2 FTE
 <u>FISCAL IMPACT - Local Government</u>	 FY 2010 (10 Mo.)	 FY 2011	 FY 2012
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

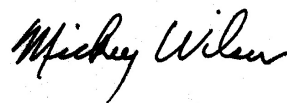
Beginning January 1, 2009, this bill authorizes an annual \$180 income tax credit for volunteer firefighters who complete during the year at least 12 hours of any firefighter training program approved by the Office of the State Fire Marshal within the Department of Public Safety. If the firefighter completes at least 36 additional hours of training after the initial 12 hours of training during the year, the firefighter may claim a \$360 credit. The tax credit is not refundable but can be carried forward for four years.

The provisions of the bill will expire December 31 six years from the effective date.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration - Budget and Planning
Department of Public Safety
Office of the Secretary of State



Mickey Wilson, CPA
Director
January 20, 2009