

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1354-01  
Bill No.: HB 662  
Subject: Fire Protection; Public Safety Department; Taxation and Revenue  
Type: Original  
Date: March 6, 2007

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Bill Summary: This proposal changes requirements for the income tax credit for dry fire hydrants.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
General Revenue	\$0 to (\$500,000)	\$0 to (\$500,000)	\$0 to (\$500,000)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0 to (\$500,000)</b>	<b>\$0 to (\$500,000)</b>	<b>\$0 to (\$500,000)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ 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 2008	FY 2009	FY 2010
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of Administration - Budget and Planning (BAP)** state this bill transfers the administration of this credit from the Department of Economic Development to the Department of Public Safety. The proposal also extends the expiration date of the credit from August 28, 2003, to August 28, 2011. This legislation will reduce general and total state revenues by \$13,000 - \$18,000 annually, based on actual redemptions reported in FY's 2004 and 2005.

Officials from the **Department of Revenue** assume the proposal would not fiscally impact their agency.

Officials from the **Department of Public Safety - Division of Fire Safety (DFS)** state this legislation was effective in 2000 - 2004. At this time, there are 48 dry fire hydrant applications received by DFS. Requests totaled \$175,353 in income tax credits, with credits issued totaling \$120,352. DFS assumes this proposal will not fiscally impact their agency.

Officials from the **Department of Economic Development (DED)** state they will be required to review applications for tax credits for this program based on receipt of approval from the State Fire Marshall. DED assumes program administration will require .5 FTE and associated costs.

**Oversight** assumes DED can administer the extension of this program with existing resources.

This program sunset on August 28, 2003. According to DED's Tax Credit Analysis report for this program, \$28,246 of credits were issued in FY 2004 and none since. Without this proposal, no additional credits would be issued. However, with the extension of the sunset date to August 28, 2011, **Oversight** will assume the state could realize a loss of tax revenue from the credits for all three fiscal years within the scope of the fiscal note. Therefore, Oversight will range the loss of tax revenue from these credits from \$0 (no additional credits redeemed) to the program's annual limit of \$500,000.

**Oversight** compared the total tax credit issuances relative to the total tax credit redemptions for the previous three years in order to determine a relationship between the two. Oversight discovered that the annual redemptions ranged from 79 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 \$500,000

ASSUMPTION (continued)

of additional credits are issued, Oversight would assume \$415,000 (83%) of credits to be redeemed, reducing Total State Revenues.

**Oversight** assumes this proposal could result in some economic benefits for the state. However, Oversight assumes these benefits would be considered indirect and have not reflected them in the fiscal note.

**This proposal could reduce Total State Revenues.**

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
<b>GENERAL REVENUE FUND</b>			
<u>Loss - Department of Revenue</u>			
Dry Fire Hydrant tax credit	<u>\$0 to (\$500,000)</u>	<u>\$0 to (\$500,000)</u>	<u>\$0 to (\$500,000)</u>
<b>ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND</b>	<b><u>\$0 to (\$500,000)</u></b>	<b><u>\$0 to (\$500,000)</u></b>	<b><u>\$0 to (\$500,000)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

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

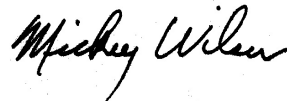
### FISCAL DESCRIPTION

This bill transfers from the Department of Economic Development to the Department of Public Safety the duty of certifying when a dry fire hydrant system meets the requirements to obtain an income tax credit and extends the expiration date of the credit from August 28, 2003, to August 28, 2011.

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 Economic Development  
Department of Revenue  
Department of Public Safety  
Office of Administration - Budget and Planning

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
March 6, 2007