

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3141-01
Bill No.: HB 1523
Subject: Fire Protection; Revenue Department; Taxation and Revenue - Income
Type: Original
Date: February 5, 2008

Bill Summary: This proposal authorizes an income tax credit for volunteer firefighters who receive and maintain training.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	(\$73,452) to (\$26,073,452)	(\$77,448) to (\$26,077,448)	(\$79,769) to (\$26,079,769)
Total Estimated Net Effect on General Revenue Fund	(\$73,452) to (\$26,073,452)	(\$77,448) to (\$26,077,448)	(\$79,769) to (\$26,079,769)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	2 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	2 FTE	2 FTE	2 FTE

☐ 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 2009	FY 2010	FY 2011
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Public Safety - Fire Safety (DPS)** 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 \$1,000 annually for volunteers who have completed the Basic Fire Fighter program and 12 hours of training annually. Additionally, the legislation provides a \$1,500 tax credit for volunteer fire fighters who have completed the Fire Fighter 1 certification and 18 hours of training annually. The legislation also provides a \$2,000 tax credit for volunteer fire fighters who have completed Fire Fighter 2 certification, and a minimum of 24 hours of fire training annually. According to the legislation, the individual's fire chief would verify the documentation submitted.

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.

The Division of Fire Safety assume the proposal would not fiscally impact their agency.

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.

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 2 month for modifications to MINITS. The estimated cost is \$8,372.

DOR assumes the need for one additional Tax Processing Technician I for every 4,000 credits claimed. DOR assumes a total of three additional FTE will be needed, with an estimated cost of roughly \$120,000 per year.

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ASSUMPTION (continued)

In response to similar proposal from this year, DOR assumed the need for an additional FTE for every 6,000 tax credits issued; therefore, **Oversight** will assume DOR will require only two additional FTE as a result of this proposal (with the assumption of 13,000 volunteer firefighters).

Officials from the **Office of Administration - Budget and Planning (BAP)** state the proposal creates an income tax credit for volunteer firefighters that meet certain training requirements, ranging from \$1,000 - \$2,000 depending on the training attended. The Department of Public Safety has previously estimated there are approximately 13,000 volunteer firefighters that might qualify for training credits. Therefore, this proposal will reduce general and total state revenues by up to \$26 million annually, depending on the number of firefighters claiming the credit.

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 finally approved bills signed by the governor.

Based upon estimates by the Division of Fire Safety, Oversight will assume 13,000 firefighters may qualify for the tax credits. Oversight does not have information regarding what level of credit these 13,000 firefighters will qualify for, so Oversight will range the fiscal impact up to \$26 million (13,000 volunteer firefighters qualify for the \$2,000 credit. Oversight will range the fiscal impact of the proposal from \$0 (no firefighter takes advantage of the program) to \$26 million reduction of income from the proposal.

Oversight assumes the state will experience an indirect benefit from this proposal; however, Oversight considers the resulting benefits to be indirect, and have not reflected them on this fiscal note. The credit is for tax years beginning on or after January 1, 2008, therefore, Oversight will show a potential loss from the proposal in FY 2009.

This proposal will decrease Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
GENERAL REVENUE			
<u>Costs - Department of Revenue</u>			
Personal Service (2 FTE)	(\$42,292)	(\$52,273)	(\$53,841)
Fringe Benefits	(\$18,701)	(\$23,115)	(\$23,808)
Expense and Equipment	<u>(\$12,459)</u>	<u>(\$2,060)</u>	<u>(\$2,120)</u>
<u>Total Costs - DOR</u>	(\$73,452)	(\$77,448)	(\$79,769)
FTE Change - DOR	2 FTE	2 FTE	2 FTE
<u>Loss - Tax Credit for volunteer firefighter training</u>	\$0 to <u>(\$26,000,000)</u>	\$0 to <u>(\$26,000,000)</u>	\$0 to <u>(\$26,000,000)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	(\$73,452) to <u>(\$26,073,452)</u>	(\$77,448) to <u>(\$26,077,448)</u>	(\$79,769) to <u>(\$26,079,769)</u>
Estimated Net FTE Change for General Revenue Fund	2 FTE	2 FTE	2 FTE
 <u>FISCAL IMPACT - Local Government</u>	 FY 2009 (10 Mo.)	 FY 2010	 FY 2011
	<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, 2008, this bill authorizes an individual income tax credit equal to \$1,000 for any volunteer firefighter who completes at least 12 hours of training annually; \$1,500 for a firefighter I who completes at least 18 hours of training annually; or \$2,000 for a firefighter II who completes at least 24 hours of training annually. The tax credit is not transferable or refundable, but may be carried forward four years.

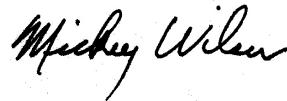
FISCAL DESCRIPTION (continued)

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

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

Mickey Wilson, CPA
Director
February 5, 2008