

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3530-02
Bill No.: HB 1367
Subject: Fire Protection; Revenue Department; Tax Credits; Taxation and Revenue -
Income.
Type: Original
Date: January 11, 2008

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	(\$66,317) to (\$2,406,317)	(\$72,508) to (\$4,752,508)	(\$74,683) to (\$4,754,683)
Total Estimated Net Effect on General Revenue Fund	(\$66,317) to (\$2,406,317)	(\$72,508) to (\$4,752,508)	(\$74,683) to (\$4,754,683)

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 \$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 Division of Fire Safety 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 an Office Support Assistant 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.

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

ASSUMPTION (continued)

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 \$4,186.

DOR assumes the need for one additional Tax Processing Technician I for every 6,000 credits claimed. DOR assumes a total of one additional FTE will be needed, with an estimated cost of roughly \$40,000 per year.

Officials from the **Office of Administration - Budget and Planning** state this proposal creates a \$180 income tax credit for volunteer firefighters that meet certain training requirements, or \$360 if additional training requirements are met. The Department of Public Safety has previously estimated there are approximately 13,000 volunteer firefighters that might qualify for the \$180 credit, which could reduce Total and General State Revenues by up to \$2.34 million. If all these volunteers qualify for the \$360 credit, general and total state revenues could be reduced an additional \$2.34 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 finally approved bills signed by the governor.

Oversight assumes this proposal is a little different from previous years' versions, and the credit allowed in the first year will be \$180. For subsequent years, the maximum credit allowed will be \$360. 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, 2008, therefore, Oversight will show a potential loss from the proposal in FY 2009.

ASSUMPTION (continued)

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 \$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 2009 (10 Mo.)	FY 2010	FY 2011
GENERAL REVENUE			
<u>Costs - Department of Public Safety</u>			
Personal Service	(\$18,087)	(\$22,355)	(\$23,026)
Fringe Benefits	(\$7,998)	(\$9,885)	(\$10,182)
Expense and Equipment	<u>(\$3,506)</u>	<u>(\$1,545)</u>	<u>(\$1,591)</u>
<u>Total Costs - DPS</u>	(\$29,591)	(\$33,785)	(\$34,799)
FTE Change - DPS	1 FTE	1 FTE	1 FTE
<u>Costs - Department of Revenue</u>			
Personal Service	(\$21,146)	(\$26,136)	(\$26,920)
Fringe Benefits	(\$9,351)	(\$11,557)	(\$11,904)
Expense and Equipment	<u>(\$6,229)</u>	<u>(\$1,030)</u>	<u>(\$1,060)</u>
<u>Total Costs - DOR</u>	(\$36,726)	(\$38,723)	(\$39,884)
FTE Change - DOR	1 FTE	1 FTE	1 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	(\$66,317) to <u>(\$2,406,317)</u>	(\$72,508) to <u>(\$4,752,508)</u>	(\$74,683) to <u>(\$4,754,683)</u>
Estimated Net FTE Change for General Revenue Fund	2 FTE	2 FTE	2 FTE

FISCAL IMPACT - Local Government

FY 2009
(10 Mo.)

FY 2010

FY 2011

\$0

\$0

\$0

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

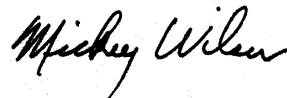
Beginning January 1, 2008, this bill authorizes a \$180 income tax credit for volunteer firefighters who complete at least 12 hours of any firefighter training program approved by the Office of the State Fire Marshal within the Department of Public Safety. If the firefighter completes at least 36 additional hours of training after the initial 12 hours of training, 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 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



Mickey Wilson, CPA
Director
January 11, 2008