

**DEPARTMENT OF TAXATION
2001 Fiscal Impact Statement**

1. **Patron** Day

3. **Committee** House Finance

4. **Title** Individual Income Tax: Fire and Rescue Squad
Volunteers' tax credit

2. **Bill Number** HB 2244

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would provide an income tax credit for individuals equal to \$1.00 per hour of service on a volunteer local fire and/or rescue squad up to a credit of \$100 per taxable year. Individuals would be required to provide documentation for hours served from the volunteer fire and rescue squad.

This bill would be effective for taxable years beginning on and after January 1, 2002.

6. Fiscal Impact Estimates are:

6b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2000-01	\$0	GF
2001-02	\$0	GF
2002-03	<\$2.3 million>	GF

7. Budget amendment necessary: Yes.

ITEM(S): Page 1, Revenue Estimates

279 and 281, Department of Taxation

8. Fiscal implications:

Administrative Costs

While this bill does have costs associated with systems development, these cannot be ascertained at this time. The cost for implementing a **single** piece of legislation cannot be calculated precisely due to economies of scale. The actual cost to implement **all** legislation enacted during a given session will more than likely be less than the sum of

the costs attributed to individual bills. Further, the ability to accurately predict costs is complicated because TAX is replacing its current database system. As a result, legislative changes may need to be made to both the current and the future system, depending on the effective date. Therefore, TAX is not providing specific systems costs for this bill, but will calculate the total for all tax bills once they have been acted upon favorably in both houses and prior to the conference committee report. Other administrative costs to implement this bill would be minimal.

Revenue Impact

Although the credit would be effective January 1, 2002, it is likely that there would be no revenue effect as a result of this bill until taxable year 2002 returns are filed in 2003. As such, the first effects of this bill would occur for FY 2003 when General Fund revenue would be reduced by an estimated \$2.3 million.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: None.

11. Other comments:

The bill would provide an individual income tax credit to fire department and rescue squad volunteers in the amount of \$1.00 for each hour donated during a taxable year. The maximum amount of credit that can be earned is \$100. Any unused portion of the credit could be carried forward to offset future income tax liability for up to five taxable years.

Individuals claiming the credit would be required to provide documentation of the hours they volunteered. This documentation would consist of a letter or written statement from the chief of the volunteer squad or president of the volunteer association attesting to the hours served.

Members of volunteer rescue squads and fire departments are currently allowed a personal property tax exemption on one vehicle which is regularly used for such purpose.

cc: Secretary of Finance

Date: 1/15/01/initials

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