DEPARTMENT OF TAXATION
2001 Fiscal Impact Statement

1. Patron: Deeds

2. Bill Number HB 2752

House of Origin:

  X   **Introduced**

____ **Substitute**

____ **Engrossed**

3. Committee: House Finance

Second House:

____ **In Committee**

____ **Substitute**

____ **Enrolled**

4. Title: Individual Income Tax: Deduction for Volunteer Rescue Squad and Fire Squad Members

5. Summary/Purpose:

This bill would provide a deduction for individual taxpayers who serve as full-time volunteer fire and rescue squad members equal to the amount of real property taxes paid annually by the a full-time volunteer fire and rescue squad member for his or her primary residence and up to one acre of the parcel of land on which the residence is located.

This bill would be effective for taxable years beginning on or after January 1, 2001.

6. Fiscal Impact Estimates are: Unknown (See Line 8.)

7. Budget amendment necessary: No.

8. Fiscal implications:

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.

General Fund revenues would be decreased by an unknown, but minimal amount. Most homeowners itemize deductions for federal income tax purposes. Therefore, they are

able to deduct real property taxes for Virginia and federal purposes. An amendment has been suggested that would restrict the deduction that would be created by this bill to individuals who do not itemize.

9. **Specific agency or political subdivisions affected:**

Department of Taxation

10. **Technical amendment necessary:** Yes.

To ensure that individual who claim the deduction are full-time volunteer fire and rescue squad members, and a double benefit is not allowed, the following amendment is recommended:

Page 6, Line 277 After: located.

Insert: The taxpayer shall include with his or her tax return a letter or written statement from the chief of the volunteer squad or the president of the volunteer association indicating they served on a full-time basis during the taxable year. A deduction shall not be allowed under this subdivision if the individual has claimed a deduction for such amount on his federal income tax return.

11. **Other comments:**

This bill would provide a deduction for individual taxpayers who serve as full-time volunteer fire and rescue squad members equal to the amount of real property taxes paid annually by the a full-time volunteer fire and rescue squad member for his or her primary residence and up to one acre of the parcel of land on which the residence is located.

Currently, localities have the option of imposing lower personal property tax on personal vehicles used by volunteer rescue squad or fire department members.

Potential Double Benefit

Homeowners typically deduct real property taxes from their federal and Virginia income tax. This bill as drafted would provide a double benefit because volunteer fire and rescue squad members would be able to deduct real property taxes twice. A technical amendment has been suggested that would prevent volunteer fire and rescue squad members from receiving a double benefit.

Other Legislation

House Bill 2244 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 $100 per taxable year.

cc: Secretary of Finance