

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4850-01
Bill No.: SB 1006
Subject: Fire Protection; Taxation and Revenue
Type: Original
Date: February 13, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	(\$181,675 to \$5,881,675)	(\$184,218 to \$5,884,218)	(\$188,836 to \$5,888,836)
Total Estimated Net Effect on General Revenue Fund	(\$181,675 to \$5,881,675)	(\$184,218 to \$5,884,218)	(\$188,836 to \$5,888,836)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
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 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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 Secretary of State's office 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 \$1,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, SOS also recognizes 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 the SOS can sustain with the core budget. Therefore, SOS reserves 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.

Officials from the **Office of Administration - Budget and Planning** state the proposal creates a \$200 income tax credit for volunteer firefighters that meet certain training requirements, or \$400 if additional training requirements are met. The Department of Public Safety estimates there are approximately 14,250 volunteer firefighters that would qualify for the \$200 credit, which would reduce Total and General State Revenues by \$2.85 million. If all these volunteers qualify for the \$400 credit, TSR and GR would be reduced an additional \$2.85 million.

ASSUMPTION (continued)

Officials from the **Department of Public Safety - Division of Fire Safety (DFS)** assume the proposal would not fiscally impact their agency. However the DFS will be responsible for approving training that meets the intent of the law. DFS estimates there are 625 Volunteer Fire Departments with 12,652 fire fighters. Additionally, there are 80 part volunteer/part paid departments with 3,211 fire fighters in the State of Missouri.

Officials from the **Department of Revenue (DOR)** state this legislation adds Section 135.610 to the Missouri statutes, authorizing an income tax credit for volunteer firefighters, beginning January 1, 2006, providing the taxpayers meet certain criteria. (ie. completion of a particular training program).

This legislation will allow a \$200 credit if the taxpayer completes at least a 12 hour firefighter's training program approved by the Office of the State Fire Marshal in such subsequent tax year. After the initial tax credit is claimed, and the taxpayer has completed at least 30 hours of any firefighter-training program approved by the Office of the State Fire Marshal, the taxpayer may claim a credit in the amount of \$400 in each tax year the taxpayer completes an approved 12 hour training program and within the previous 5 years received at least 12 hours of training in the listed specified areas. (ex. Hazardous materials, incident management systems, and weapons of mass destruction).

This tax credit will be authorized by the State Fire Marshal's Office, who will provide the taxpayer with documentation to verify to DOR, the required training. This tax credit is non-refundable but may be carried forward 4 years.

DOR states based on figures provided by the State Fire Marshal's Office, there are 625 volunteer fire departments in the state of Missouri, containing a total of 12,652 volunteer firefighters. There are also listed, 80 departments that file with the Marshal's Office as "part-paid/part-volunteer", meaning some of their crew are paid personnel and the rest are on a volunteer basis. The firefighters located in these 80 departments total 3,211; however, there is no way of determining how many from each department is paid and how many are on a volunteer basis. DOR's figures will be based only on the 12,652 volunteer firefighters.

After consulting with the Fire Marshal's office, DOR believes approximately seventy-five percent of the firefighters will take the classes and claim the credit. (12,652 x 75% = 9,489 credit applications)

ASSUMPTION (continued)

Administrative Impact to DOR:

DOR assumes these applicants will no longer be able to Efile their returns thus increasing the number of paper returns to be processed.

DOR's Personal Tax (PT) - This new credit will require an additional line on the MO-TC form. PT will require 2 Tax Processing Technician I for processing and tracking of the credit. One Temporary Tax Employee for the additional key-entry. One Tax Processing Technician I for maintenance and handling correspondence, for every 2,400 pieces of correspondence received (total for maintenance and correspondence= 3.5 FTE). PT would also need One Tax Processing Technician I for every 6,000 credits claimed with the carry-forward provisions (total for carry forward processing = 1.5 FTE (9,400 firefighters / 6,000 credits claimed)).

DOR's Customer Service (CS) - This tax credit will generate some inquiries and could result in some notice of adjustments due to documentation issues, but will not have a significant impact. CS anticipates handling the increase in volume with existing staff.

This legislation will require modifications to individual income tax systems. Taxation estimates these modifications will require a MINITS programming costs of \$46,170 (1,384 hours). DOR proposes to cover these costs with current IT staff. Effective July 1, 2006, DOR's IT staff will be moved to OA pursuant to consolidation, but DOR has no reason to believe this transfer will limit their ability to absorb these costs. In the event multiple new credits/deductions are passed, this cost could exceed current appropriation levels and result in additional funds being requested.

In summary, DOR assumes the proposal will require 7 new FTE and result in a cost of roughly \$270,000 annually to administer the program.

Based on DOR responses to other tax credit programs this year, **Oversight** will assume DOR could administer this program with an additional 5 FTE plus the one additional temporary employee. Oversight will also assume DOR will not pay for additional floor space in Jefferson City for the additional FTE.

Oversight will range the fiscal impact of the tax credit from \$0 (no firefighters taking advantage of the credit) to \$5.7 million (estimated 14,250 volunteer firefighters x \$400 maximum tax credit) in losses to the General Revenue Fund. 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 \$200 credit instead of the \$400 credit. The credit is for tax years beginning on or after January 1, 2006, therefore, Oversight will show a potential loss from the proposal in FY 2007.

ASSUMPTION (continued)

This proposal will decrease Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
GENERAL REVENUE			
<u>Costs - Department of Revenue</u>			
Personal Service (5 FTE)	(\$98,195)	(\$120,780)	(\$123,799)
Fringe Benefits	(\$43,265)	(\$53,216)	(\$54,546)
Expense and Equipment	(\$33,015)	(\$2,657)	(\$2,737)
Temporary Employees	<u>(\$7,200)</u>	<u>(\$7,565)</u>	<u>(\$7,754)</u>
<u>Total Costs - DOR</u>	(\$181,675)	(\$184,218)	(\$188,836)
 <u>Loss - Tax Credit for volunteer firefighter training</u>	 \$0 to <u>(\$5,700,000)</u>	 \$0 to <u>(\$5,700,000)</u>	 \$0 to <u>(\$5,700,000)</u>
 ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	 (\$181,675 to <u>\$5,881,675</u>)	 (\$184,218 to <u>\$5,884,218</u>)	 (\$188,836 to <u>\$5,888,836</u>)

<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<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.

DESCRIPTION

This proposal allows a \$200 tax credit for volunteer firefighters who complete at least 12 hours of any firefighter training program approved by the State Fire Marshal in the tax year the credit is claimed. If the firefighter has completed at least 30 hours of training after the initial 12 hours of training, the firefighter may claim a \$400 credit in any tax year that 12 hours of training are completed. The tax credit is not refundable but can be carried over for up to four years.

The provisions of this proposal will terminate six years from the effective date unless reauthorized.

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



Mickey Wilson, CPA
Director
February 13, 2006