

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6407

BILL NUMBER: SB 268

DATE PREPARED: Dec 6, 2001

BILL AMENDED:

SUBJECT: Volunteer Firefighter Income Tax Deduction.

FISCAL ANALYST: Jim Landers

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FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill entitles active volunteer firefighters to an Adjusted Gross Income (AGI) Tax deduction of \$2,000 in taxable years beginning after December 31, 2002.

Effective Date: January 1, 2003.

Explanation of State Expenditures: The Department of State Revenue (DOR) would incur some administrative expenses related to the revision of tax forms, instructions, and computer programs to incorporate this deduction. These expenses presumably could be absorbed given the DOR's existing budget and resources.

Explanation of State Revenues: The bill would reduce state AGI Tax liabilities for individual taxpayers who are active volunteer firefighters in Indiana. The revenue loss due to this bill could potentially total \$1.16 M to \$1.5 M annually beginning in FY 2004.

Background: The bill creates an AGI Tax deduction for taxpayers who are active volunteer firefighters in Indiana. The deduction is equal to \$2,000 each taxable year. This would effectively reduce the annual income tax liability of an active volunteer firefighter by \$68. It is estimated that there are between 17,000 and 22,000 active volunteer firefighters in Indiana. As a result, the \$2,000 deduction would lead to an annual revenue loss ranging from \$1.16 M to \$1.5 M, provided the deduction is claimed by each active volunteer firefighter. Since the deduction would be effective beginning in tax year 2003, it would impact revenues beginning in FY 2004. Revenue from the Adjusted Gross Income Tax is deposited in the state General Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues: Since the proposed deduction would serve to reduce Taxable Income, counties imposing local option income taxes (CAGIT, COIT, and/or CEDIT) may, as a result, experience

an indeterminable decrease in revenue from these taxes.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected: Counties with a local option income tax.

Information Sources: Jack Kerney, President, Indiana Volunteer Firefighters Association, (877) 606-4832.