

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

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6252

BILL NUMBER: SB 61

NOTE PREPARED: Nov 15, 2005

BILL AMENDED:

SUBJECT: Volunteer Firefighter Income Tax Deduction.

FIRST AUTHOR: Sen. Craycraft

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill provides an Adjusted Gross Income Tax deduction of \$2,000 to active volunteer firefighters.

Effective Date: January 1, 2006 (retroactive).

Explanation of State Expenditures: The Department of State Revenue (DOR) will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the new deduction. The DOR's current level of resources should be sufficient to implement the new deduction.

Explanation of State Revenues: The bill would reduce state Adjusted Gross Income (AGI) Tax liabilities of 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 2007.

Background: The bill creates an AGI Tax deduction for individual taxpayers who are active volunteer firefighters in Indiana for at least 6 months during the taxable year. The deduction is equal to \$2,000 each taxable year and would 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. There are approximately 17,700 members of the Indiana Volunteer Firefighters Association (last updated April 2003). Thus, the deduction could 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 is effective beginning in tax year 2006, the fiscal impact would begin in FY 2007. Eighty-six percent of the revenue from the AGI Tax on individuals is deposited in the state General Fund, and 14% of the revenue is deposited in the Property Tax

Replacement Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues: Because the proposed deduction would serve to decrease 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, Vice-President, Indiana Volunteer Firefighters Association, (877) 606-4832. Indiana Volunteer Firefighters Association, <http://www.ivfa.org/>.

Fiscal Analyst: Jim Landers, 317-232-9869.