

**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 6230

BILL NUMBER: HB 1174

NOTE PREPARED: Dec 2, 2006

BILL AMENDED:

SUBJECT: Income Tax Deduction for Volunteer Firefighters.

FIRST AUTHOR: Rep. Davis

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 to an active volunteer firefighter for any allowances received during a taxable year in connection with service as a volunteer firefighter.

Effective Date: January 1, 2007 (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 to the extent that they receive monetary allowances for volunteer firefighter services. The bill does not place an annual maximum on the deduction amount. The revenue loss due to the deduction is indeterminable as data is unavailable describing the prevalence and value of volunteer firefighter allowances. If, however, every volunteer firefighter in Indiana is able to deduct \$1,000 in allowances received, the revenue loss could potentially total \$680,000 annually. The revenue loss from the deduction would commence in FY 2008.

Background Information: The bill creates an AGI Tax deduction for individual taxpayers who are active volunteer firefighters in Indiana for allowances received for service as a volunteer firefighter, including allowances for clothing, fuel, vehicle mileage, and equipment. The bill does not place a monetary limit on the deduction. The Indiana Department of Homeland Security reports that there are approximately 20,000 volunteer firefighters in Indiana. However, no data is available relating to the prevalence, type, or value of

allowances that volunteer fire departments currently may be providing to volunteer firefighters. Since the deduction is effective beginning in tax year 2007, the fiscal impact would begin in FY 2008. 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 local option income taxes.

Information Sources: Michelle Milliken, Indiana Department of Homeland Security, (317) 234-0945.
Joanna Cornwell, Indiana Department of Homeland Security, (317) 234-4554.

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