



# Ohio Legislative Service Commission

Russ Keller

## Fiscal Note & Local Impact Statement

**Bill:** H.B. 255 of the 128th G.A.

**Date:** November 3, 2009

**Status:** As Introduced

**Sponsor:** Rep. Balderson

**Local Impact Statement Procedure Required:** Yes

**Contents:** To authorize a \$400 credit against the personal income tax for volunteer firefighters

### State Fiscal Highlights

STATE FUND	FY 2010	FY 2011	FUTURE YEARS
<b>General Revenue Fund</b>			
Revenues	Potential loss up to \$6.0 million or more	Potential loss up to \$6.0 million or more	Potential annual loss up to \$6.0 million or more
Expenditures	- 0 -	- 0 -	- 0 -

Note: The state fiscal year is July 1 through June 30. For example, FY 2010 is July 1, 2009 – June 30, 2010.

- The nonrefundable tax credit for volunteer firefighters may reduce personal income tax revenue by \$6.4 million in FY 2010 assuming the legislation is in effect for tax year 2009.
- The GRF would bear 94.35% of any revenue loss in this biennium, and 94.1% of any revenue loss in future biennia.

### Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2010	FY 2011	FUTURE YEARS
<b>Counties and Local Governments</b>			
Revenues	Potential loss up to \$362,000 or more	Potential loss up to \$362,000 or more	Potential annual loss up to \$378,000 or more
Expenditures	- 0 -	- 0 -	- 0 -

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- The nonrefundable tax credit for volunteer firefighters may reduce personal income tax revenue. The Local Government Fund (LGF) and Public Library Fund (PLF) would bear 3.68% and 1.97%, respectively. In future biennia, the PLF would bear 2.22% of the total income tax revenue loss.

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## Detailed Fiscal Analysis

H.B. 255 creates a \$400 credit against the personal income tax for volunteer firefighters. The nonrefundable credit may be claimed by the volunteer firefighter for the taxable year during which he or she performs service. If a taxpayer's tax liability is less than \$400 in a given year, the amount of credit that may be used is limited to the tax liability. However, the amount of credit that cannot be used for that tax year may be carried forward so that it may be used in a subsequent year.

The bill defines a volunteer firefighter as someone who: (1) is certified and appointed in accordance with provisions in the Revised Code and (2) serves on a less than full-time basis for a firefighting agency or a nonprofit fire company. The bill specifically excludes those individuals that are paid firefighters that only work on a part-time basis.

### Fiscal effect

According to the Ohio Department of Public Safety, Ohio is home to approximately 16,000 volunteer firefighters. Generally, most volunteer firefighters earning at least \$25,000 should be able to utilize the full value of this \$400 credit. If all 16,000 volunteer firefighters have enough taxable income to apply the full value of the \$400 credit against their income tax liability, the total revenue loss would be \$6.4 million for a given year. LSC staff does not possess specific income statistics for those performing services as volunteer firefighters. However, given that the median Ohio income is much greater than \$25,000, it is possible that the majority of volunteer firefighters will use their \$400 credit in its entirety in the first year it is made available to them.

The GRF would bear 94.35% of any revenue loss during the current biennium, with the LGF bearing 3.68% and the PLF bearing 1.97%. Based on those shares, the GRF would lose up to \$6.0 million for each full year that the tax credit was in place, the LGF would lose up to \$236,000, and the PLF would lose up to \$126,000. Starting with FY 2012, the PLF share of any revenue loss would revert to the 2.22% share specified in codified law, or up to \$142,000 per year, with the GRF share falling to 94.1% (to an amount that still rounds to \$6.0 million).

If the tax credit provides an incentive for more Ohioans to become volunteer firefighters, the annual revenue loss could be greater than \$6.4 million. If the statutory rates for the personal income tax are increased or decreased, such an action could have consequences on the revenue loss for a given year. Changing the tax rates might affect the amount of the \$400 credit that is carried forward for use against the liabilities in future tax years.