

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

Legislative Fiscal Note

BILL NUMBER: House Bill 356 (First Edition)

SHORT TITLE: Increase Emergency Resp. Personnel Deduction.

SPONSOR(S): Representatives Setzer, Barnhart, Underhill, and Wilkins

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>
REVENUES (\$ millions)	(0.6)	(0.6)	(0.6)	(0.7)	(0.7)
EXPENDITURES					
POSITIONS (cumulative):					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Revenue					
EFFECTIVE DATE: January 1, 2009					

BILL SUMMARY:

Amends GS 105-134.6(d)(6) by increasing the amount that an eligible firefighter or rescue squad worker may deduct from taxable income from \$250 to \$400. To be eligible for the deduction, firefighters and rescue squad workers must attend at least 36 hours of drills, training, and meetings during the taxable year and work as a volunteer for a volunteer fire department or a volunteer rescue or emergency medical services squad to receive the State income tax deduction.

ASSUMPTIONS AND METHODOLOGY: This bill increases the allowable deduction by 60% over current law. In order to calculate the fiscal impact of HB356, the potential number of eligible firefighters and rescue squad workers affected was determined. Data provided by the NC Fireman’s Association, and the NC Association of Rescue and EMS workers was the basis of this determination. According to the respective associations, there are approximately 55,000 volunteer firefighters, rescue squad workers, and EMS workers.

To calculate the reduction in income tax revenues from increasing the current \$250 deduction, it was assumed all volunteer workers would be eligible for the tax deduction. An additional

assumption, based on NC Employment Security Commission salary data for firefighters and EMS workers, as well as the average state annual salary for all employees, is that the deduction would be taken against an average effective income tax rate of 7 percent. Moreover, since the tax deduction applies to each eligible taxpayer regardless of filing status, no adjustments were made based on the possible filing status of these workers. Finally, to determine the effect of the increase the net difference between the \$400 deduction and the \$250 deduction was calculated as follows: \$150 increase * .07 income tax rate * 55,000 eligible workers = \$577,500.

To determine future year impacts, it was assumed that the growth in the number of eligible volunteers would be the same as the expected growth in the state's overall non-farm employment as estimated by Moody's economy.com.

SOURCES OF DATA: NC Fireman's Association; NC Association of Rescue and EMS; NC Employment Security Commission; and Moody's economy.com

TECHNICAL CONSIDERATIONS:

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DATE:

March 13, 2009



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