



State Fiscal Note for Bill Number: 2021-H-5493

Date of State Budget Office Approval:

Date Requested:

Date Due:

| <i>Impact on Expenditures</i> | | <i>Impact on Revenues</i> | |
|-------------------------------|----|---------------------------|---------------|
| FY 2021 | NA | FY 2021 | NA |
| FY 2022 | NA | FY 2022 | \$(624,448) |
| FY 2023 | NA | FY 2023 | \$(1,248,896) |

**Explanation by State
Budget Office:**

This bill amends Rhode Island General Laws (R.I. Gen. Laws) Chapter 44-30 entitled "Personal Income Tax" by adding a new section, R.I. Gen. Laws § 44-30-103 titled "Volunteer firefighter income tax credit". This section would allow a "state income tax credit" to volunteer firefighters for tuition or fees for the participation in professional development courses related to service as a firefighter, and the cost of uniforms used by the volunteer firefighter in service as a firefighter. If any volunteer firefighter receives reimbursement for professional development or uniform expenses, they are not eligible for a state income tax credit. If any volunteer firefighter received reimbursement for included expenses after they used the tax credit, that reimbursement amount will be considered income in the year received.

Under current law, no such state income tax credit exists.

**Comments on
Sources of Funds:**

The bill allows for a state income tax credit without specifying the tax type to which the tax credit would apply. The Department of Revenue, Office of Revenue Analysis assumed that the proposed state income tax credit would be applied to the personal income tax. All personal income tax revenues are general revenues.

**Summary of Facts
and Assumptions:**

This bill takes effect upon passage. The Office of Revenue Analysis (ORA) assumed the implementation date would be January 1, 2022. Although the bill creates a state income tax credit, presumably for use against the personal income tax, it does not add the proposed tax credit to the list of credits allowed to be used against the personal income tax as set forth in R.I. Gen. Laws § 44-30-2.6(c)(3)(F). The bill should be redrafted to add the proposed tax credit to the list of allowable credits for use against the personal income tax.

Based upon the accrual methodology employed by the Department of Administration, Office of Accounts and Controls (OAC), tax law changes that take effect in the middle of a fiscal year have a current fiscal year revenue impact equal to one-half of the succeeding fiscal year's revenue impact. ORA has used this accrual-based methodology to provide the budgetary revenue impacts contained in this fiscal note.

The Department of Revenue, Division of Taxation notes that "there are several issues apparent in the drafting of the bill that will impact revenue estimates and tax administration, including, but not limited to, ambiguity in the definition of "firefighter" such that it could apply to non-residents and volunteers in a wide variety of duties both in, and outside, of Rhode Island, certain aspects of the proposed law

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would be unenforceable, and there is no maximum amount of credit or provision for carry-forward such that the treatment of unused credits is unclear. Further, as drafted, it is unclear in which tax year the credit could first be used and this should be explicitly stated in the bill. This bill requires significant re-drafting in order to make it administrable.”

A volunteer firefighter, as defined in the bill, is “a volunteer who performs the duties including work connected with the control and extinguishment of fires or the maintenance and use of firefighting apparatus and equipment, including a volunteer engaged in this activity who is transferred or promoted to a supervisory or administrative position.” According to data from the U.S. Fire Administration’s (USFA) national fire department registry, there are 1,381 active volunteer firefighters in Rhode Island. While registration with the USFA list is voluntary, about 92 percent of all U.S. fire departments have registered. In Rhode Island, 68 fire departments are registered, representing 152 out of 158 fire stations in the state, or 96.2 percent (i.e., $152 / 158$). ORA estimated the total number of volunteer firefighters in Rhode Island is 1,436 (i.e., $1,381 / 0.962025$).

The National Volunteer Firefighter Council (NVFC) estimates the cost to train and equip a firefighter is \$21,810, which includes uniform, training, and equipment (such as radio and thermal imager). The Rhode Island Office of the State Fire Marshall’s Fire Academy (Fire Academy) offers many of the classes that volunteer firefighter are required to attend. The cost of these courses is between \$75 and \$3,100. The cost of available courses averages \$440.

As the funding structure of each volunteer service varies by community, the impact of the bill may vary by community. In addition, the costs covered by volunteer firefighters can vary year to year due to large, infrequent payments for certain training fees or uniform components as well as changes in grant awards that help to fund volunteer fire departments. ORA reached out to several fire departments to inquire about the costs incurred by volunteers. While some departments said there are no out of pocket expenses to become or remain a member of their department as training, gear, equipment, uniforms, etcetera, are all covered by the department, others indicated significant costs are borne by volunteers. Personal protective equipment, such as helmets, hoods, gloves, coat, pants, boots, is generally covered by the department, but that coverage is not universal.

Given the available data and information provided by several Rhode Island fire departments, ORA assumed that all departments cover the cost of personal protective equipment and estimated that, on average, volunteer firefighters who are responsible for covering uniform and training expenses spend \$1,160 per year. This covers the cost of a station jacket (\$195), station uniform (\$125), dress uniform (\$400), and the average cost of one course offered by the Fire Academy (\$440). Based on responses from Rhode Island fire departments, ORA further assumed that 25 percent of volunteers face no out of pocket expenses. This is equivalent to 359 volunteer firefighters in 2021.

Multiplying the cost of training and uniforms borne by volunteer firefighters by the total number of volunteer firefighters in Rhode Island, less those that do not incur

any costs for training or uniforms, produces a full year estimated cost of the proposed credit of \$1,248,896 for FY 2021 (i.e., $(1,436 - 359) * \$1,160$). ORA assumed no growth from the FY 2021 estimate to FY 2022.

Because the assumed implementation date is halfway through the fiscal year, the fiscal impact for FY 2022 is estimated to be \$624,448 (i.e., $0.5 * \$1,248,896$). ORA assumed no growth from the full-year FY 2022 estimate to FY 2023.

The Governor's FY 2022 Recommended Budget projects a closing surplus of \$265,441,847 in FY 2021 and \$4,425,716 in FY 2022. Passage of this bill would have no impact on the FY 2021 closing surplus, but it would decrease the FY 2022 closing surplus and increase the FY 2023 projected budget deficit of \$374.4 million.

Summary of Fiscal Impact:

FY 2021: No revenue impact is forecast due to the assumed implementation date of January 1, 2022.

FY 2022: A revenue loss of \$624,448 is forecast.

FY 2023: A revenue loss of \$1,248,896 is forecast.

Budget Office Signature:

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Date: 2021.03.29 11:57:04 -04'00'

Fiscal Advisor Signature:



