

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Fiscal Note

BILL NUMBER: House Bill 239 (First Edition)

SHORT TITLE: Emergency Personnel Tax Deduction.

SPONSOR(S): Representatives Martin, Faison, and Holloway

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>
REVENUES (\$ million)	(\$28)	(\$29)	(\$29)	(\$30)	(\$30)
EXPENDITURES					
POSITIONS (cumulative):					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Revenue					
EFFECTIVE DATE: January 1, 2007					

BILL SUMMARY: Enacts new GS 105-134.6(d)(6) to allow a deduction from NC taxable income of \$3,000 for emergency services workers (firefighters, rescue squad workers, and certified law enforcement officers) with less than three qualifying years and \$4,000 for emergency services workers with three or more qualifying years. 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. Effective beginning with the 2007 tax year.

ASSUMPTIONS AND METHODOLOGY: In order to estimate the fiscal impact of the bill, data was collected on the number of emergency services workers who would be eligible for the tax deduction. Based on that data, and an estimate of the number of qualifying personnel with less than three years of eligible service, the revenue loss would be \$28 million in FY2007-08.

The estimated revenue loss was based in part on data collected on the number of emergency services workers working in North Carolina. It was also necessary as well, to estimate the annual rate of turnover for these occupations or determine the number of new certifications issued annually. Data from the U.S. Census Bureau, the North Carolina Department of Justice, the North

Carolina Firemen's Association, and the North Carolina Office of Emergency Medical Services was used to establish the potential turnover or new certifications. This information was used to establish the number of qualifying personnel with less than three years experience.

In 2007, it is estimated there will be 111,000 emergency personnel eligible for the tax deduction. This includes approximately 49,000 paid and volunteer firefighters, 32,000 emergency service workers, and 30,000 state and local law enforcement officers. Of those 111,000 who would be eligible for the tax deduction, 37,000 would have less than three years of eligible experience and would get a \$3,000 tax deduction. The remaining 74,000 workers would receive the \$4,000 deduction. It was assumed that all eligible personnel would take the deduction against an effective tax rate of 7 percent. The number of eligible personnel was increased annually based on the population growth estimates for North Carolina as provided by Moody's economy.com.

SOURCES OF DATA: U.S. Census Bureau, the North Carolina Department of Justice, the North Carolina Firemen's Association, the North Carolina Office of Emergency Medical Services, Moody's economy.com

TECHNICAL CONSIDERATIONS: None

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Barry Boardman

APPROVED BY: Lynn Muchmore, Director
Fiscal Research Division

DATE: April 11, 2007



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