

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Fiscal Note

BILL NUMBER: House Bill 2657 (First Edition)

SHORT TITLE: US Coast Guard Auxiliary Tax Deduction.

SPONSOR(S): Representatives Avila and T. Harrell

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2008-09</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>
REVENUES					
(\$ Millions):					
General Fund	(\$0.2)	(\$0.2)	(\$0.2)	(\$0.2)	(\$0.2)
EXPENDITURES:					
POSITIONS					
(cumulative):					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Revenue					
EFFECTIVE DATE: This act is effective for taxable years beginning on or after January 1, 2008.					

BACKGROUND: The U.S. Coast Guard Auxiliary is the uniformed volunteer component of the United States Coast Guard. Created by an Act of Congress in 1939, the Auxiliary directly supports the Coast Guard in all missions, except military and law enforcement actions. To become an Auxiliary member, one must be U.S. citizens, at least 17 years old, and pass a basic background check.

BILL SUMMARY: The bill allows members of the United States Coast Guard Auxiliary a tax deduction on taxable income in the amount of \$3,500. The G.S. 105-134(d) is amended to include taxpayers who meet the following conditions:

- (a) The taxpayer has been a member of the US Coast Guard Auxiliary in good standing for the preceding 72 months.
- (b) The taxpayer has completed at least 75 hours of documented volunteer service during the year in which the tax deduction is being claimed.
- (c) The taxpayer submits, with the tax return, any documentation required by the Secretary.

ASSUMPTIONS AND METHODOLOGY: In North Carolina, there are 6 Coast Guard Auxiliary divisions with a combined annual membership of approximately 1000 members. The average number of years of service in the North Carolina Auxiliary Division is 7 years. There is no upper age limit for members of the Auxiliary.

Auxiliary Members	Employed	Retired
Males	472	426
Female	107	47

*2007 Data: 1052 Members

The number of members in North Carolina Coast Guard Auxiliary has decreased by 24% since 1996. This number is based upon 3 years of data from 1996 (1241 members), 2007 (1052 members), and 2008 (957 members).

A tax deduction given to active U.S. Coast Guard Auxiliary member will decrease the amount of State income tax revenues by approximately \$0.2 million per year over the next five years. Using the most recent data from May 2008, there are 957 members in North Carolina. Only 5 of the 6 divisions have an average active membership of 72 months or more. By subtracting one division that does not qualify for the income tax deduction due to the required years of service, the estimated impact on the General Fund is based upon 820 members.

Demographics for 2008	Division 9	Division 10	Division 16	Division 17	Division 18	Division 20	Total
Average Number of Years Served	7.1	6.8	5.7	9.7	9.0	8.7	7.8
Number of Division Members	134	286	137	97	83	220	957

This number is overly optimistic and potentially higher than the real number of qualified candidates due to the fact that the number of volunteer hours per person is not known. The impact on the General Fund is estimated with 2% annual increase due to population growth and assumes that each member's tax deduction is taken against a tax rate of 7%.

NC Coast Guard Auxiliary	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Number of Members	820	836	853	870	887
Amount of Tax Deduction	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500
Total Tax Deductions	\$2,870,000	\$2,926,000	\$2,985,500	\$3,045,000	\$3,104,500
Impact on General Fund*	(\$0.2)	(\$0.2)	(\$0.2)	(\$0.2)	(\$0.2)

*7% effective tax rate

SOURCES OF DATA: The United States Coast Guard Auxiliary

TECHNICAL CONSIDERATIONS:

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