



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2023 Biennium

**Bill #** HB0205

**Title:** Provide tax credit for employers of volunteer first responders

**Primary Sponsor:** Gist, Steve

**Status:** As Introduced

- Significant Local Gov Impact     
  Needs to be included in HB 2     
  Technical Concerns  
 Included in the Executive Budget     
  Significant Long-Term Impacts     
  Dedicated Revenue Form Attached

### FISCAL SUMMARY

	<u>FY 2022 Difference</u>	<u>FY 2023 Difference</u>	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	(\$738,938)	(\$1,113,188)	(\$1,490,625)	(\$1,497,000)
<b>Net Impact-General Fund Balance:</b>	<u>(\$738,938)</u>	<u>(\$1,113,188)</u>	<u>(\$1,490,625)</u>	<u>(\$1,497,000)</u>

**Description of fiscal impact:** HB 205 creates an income tax credit for employers of volunteer firefighters and volunteer emergency care providers. The proposed tax credit will reduce general fund revenue by \$738,938 in FY 2022. The revenue reduction increases to \$1,497,000 by FY 2025.

### FISCAL ANALYSIS

#### Assumptions:

#### Department of Revenue (DOR)

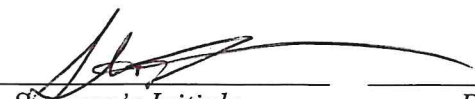

1. HB 205 creates a new \$500 income tax credit for employers of volunteer firefighters and volunteer emergency care provider (ECP). Firefighters are required to have completed a minimum of 30 hours of training and ECPs are required to have completed the number of training hours prescribed by the Montana state board of medical examiners in order to qualify for the credit.
2. The credit is non-refundable and cannot be carried forward or carried back. The employer cannot claim the credit twice if the employee is a volunteer firefighter and a volunteer emergency care provider.
3. The credit is available for TY 2021 through TY 2026, and can be claimed on Montana individual income tax or corporate income tax filings.
4. According to the Department of Public Health and Human Services, there are 1,675 licensed volunteer ECPs.
5. The Montana Public Employees Retirement Administration reports that there were 2,249 volunteer firefighters who would have met the eligibility criteria for HB 205 in FY 2019.

6. In CY 2020 it is estimated that were 3,924 employees that qualified for the credit their employers could claim.
7. Based on HJ 2 population assumptions, the number of qualified employees increases by 0.44% each year.
8. The number of qualifying employees is estimated to be 3,941 in CY 2021, 3,958 in CY 2022, 3,975 in CY 2023 and 3,992 in CY 2024.
9. As this is a new credit, it is likely that usage will ramp-up over several years. It is assumed that 50% of the employees will be claimed the first year the credit is available. By the second year, 75% of the qualified employees will be claimed. All of the employees will be claimed by the third year.
10. With a maximum credit of \$500, the value of credits claimed would be \$985,250 (3,941 x 50% x \$500) in TY 2021, \$1,484,250 in TY 2022, \$1,987,500 in TY 2023, and \$1,996,000 in TY 2024.
11. As the credit is non-refundable and cannot be carried forward or back, it is assumed that 25% of the credits will go unused each tax year.
12. With 25% of credits being unused, the total tax liability reduction in TY 2021 is \$738,938. The tax liability reduction increases to \$1,497,000 in TY 2024.

Year	Population	Credit per Employee	Phase-In	Total Credits	Unused Credits	Reduction
2020	3,924	\$0	\$0	\$0	0%	\$0
2021	3,941	\$500	50%	\$985,250	25%	\$738,938
2022	3,958	\$500	75%	\$1,484,250	25%	\$1,113,188
2023	3,975	\$500	100%	\$1,987,500	25%	\$1,490,625
2024	3,992	\$500	100%	\$1,996,000	25%	\$1,497,000

13. Taxpayers are assumed to not change their estimated payments or income tax withholding.
14. With no changes in estimated payments or withholding, tax liability will be reduced when taxpayers file their tax returns the following year.
15. With no changes in withholdings or estimated payments, it is assumed the \$738,938 in TY 2021 tax credits will reduce general fund revenue in FY 2022. This timing applies for future tax years.
16. The department would make changes to forms part of annual processes with no significant additional cost.

<b><u>Fiscal Impact:</u></b>	<b><u>FY 2022</u></b>	<b><u>FY 2023</u></b>	<b><u>FY 2024</u></b>	<b><u>FY 2025</u></b>
<b>Department of Revenue</b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>
<b>FTE</b>	0.00	0.00	0.00	0.00
<b><u>Expenditures:</u></b>				
Personal Services	\$0	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
<b>TOTAL Funding of Exp.</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b><u>Revenues:</u></b>				
General Fund (01)	(\$738,938)	(\$1,113,188)	(\$1,490,625)	(\$1,497,000)
<b>TOTAL Revenues</b>	<b>(\$738,938)</b>	<b>(\$1,113,188)</b>	<b>(\$1,490,625)</b>	<b>(\$1,497,000)</b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$738,938)	(\$1,113,188)	(\$1,490,625)	(\$1,497,000)



1/26/21

\_\_\_\_\_ Date \_\_\_\_\_ Budget Director's Initials \_\_\_\_\_ Date