



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

HB0860 - Provide income tax credit for rural fire suppression equipment (Fitzpatrick, John)

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 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
Expenditures:				
General Fund	\$0	\$94,651	\$93,013	\$94,253
Revenue:				
General Fund	\$0	(\$7,312,500)	(\$9,750,000)	(\$9,750,000)
Net Impact-General Fund Balance:	<u>\$0</u>	<u>(\$7,407,151)</u>	<u>(\$9,843,013)</u>	<u>(\$9,844,253)</u>

Description of fiscal impact: HB 860 creates a personal and corporate income tax credit for the installation of fire suppression equipment in rural areas.

FISCAL ANALYSIS

Assumptions:**Department of Revenue**

- HB 860 creates a personal and corporate income tax credit for the installation of fire suppression equipment in rural areas. The credit is equal to 30% of the installed cost of a non-pressurized water storage tank with a capacity of at least 5,000 gallons, a dry hydrant and pipelines. The credit also includes 50% of the installed cost of a pressurized hydrant system. Taxpayers must claim the credit the same year the installation expenses were incurred. The credit is non-refundable but can be carried forward for two years. The maximum number of credits that can be claimed each tax year is \$20,000,000. The credit is first available starting TY 2024 and expires at the end of TY 2028.
- It is assumed that the cost of a non-pressurized fire suppression system would be \$50,000 on average and that the cost of the pressurized system is \$100,000.
- It is assumed that 150 of each system will be installed in the state each year the credit is available.
- Based on the assumed cost for each system type, and 150 of each system installed each year, the estimated combined total spending is assumed to be \$22,500,000 each year and the combined number of credits are \$9,750,000.

System	Average Cost	Number Built Each Year	Total Spending	Credit Percentage	Credit Cost
Non-Pressurized	\$50,000	150	\$7,500,000	30%	\$2,250,000
Pressurized	\$100,000	150	\$15,000,000	50%	\$7,500,000

5. It is assumed that 75% of the total credits will be claimed in the tax year in which the spending occurred, while the remaining 25% will be carried forward to the next tax year.
6. It is assumed taxpayers will claim the credit the following tax year when they file their returns.
7. Based on the assumed distribution of credits, and total estimated credits for each tax year, the proposed bill will reduce general fund revenue by \$7,312,500 in FY 2025, and by \$9,750,000 in FY 2026 and FY 2027.
8. The Department of Revenue will require 1.00 FTE Tax Examiner to administer and audit the proposed credit. The cost of the additional FTE is \$94,651 in FY 2025, \$93,013 in FY 2026 and \$94,253 in FY 2027.

<u>Fiscal Impact:</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
Department of Revenue				
FTE	0.00	1.00	1.00	1.00
<u>Expenditures:</u>				
Personal Services	\$0	\$83,096	\$84,153	\$85,225
Operating Expenses	\$0	\$8,397	\$8,860	\$9,028
Equipment	\$0	\$3,158	\$0	\$0
TOTAL Expenditures	<u>\$0</u>	<u>\$94,651</u>	<u>\$93,013</u>	<u>\$94,253</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenues:</u>				
General Fund (01)	\$0	(\$7,312,500)	(\$9,750,000)	(\$9,750,000)
TOTAL Revenues	<u>\$0</u>	<u>(\$7,312,500)</u>	<u>(\$9,750,000)</u>	<u>(\$9,750,000)</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	(\$7,312,500)	(\$9,750,000)	(\$9,750,000)

NOT SIGNED BY SPONSOR

_____	_____	_____	_____
<i>Sponsor's Initials</i>	<i>Date</i>	<i>Budget Director's Initials</i>	<i>Date</i>