



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

HB0542 - Establish a volunteer firefighter and EMT tax credit (Marshall, Ron)

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	\$0	\$0	\$0
Revenue:				
General Fund	\$0	(\$967,500)	(\$1,451,250)	(\$1,935,000)
Net Impact-General Fund Balance:	<u>\$0</u>	<u>(\$967,500)</u>	<u>(\$1,451,250)</u>	<u>(\$1,935,000)</u>

Description of fiscal impact: HB 542 creates a refundable income tax credit for volunteer firefighters and volunteer emergency care providers. The proposed credit will reduce general fund revenue by \$967,500 in FY 2025, \$1,451,250 in FY 2026, and \$1,935,00 in FY 2027.

FISCAL ANALYSIS

Assumptions:**Department of Revenue**

- HB 542 creates a \$500 refundable income tax credit for volunteer firefighters and volunteer emergency care providers (ECPs). Firefighters are required to have completed at least 30 hours of training and ECPs are required to have completed the training hours prescribed by the Montana state board of medical examiners.
- A taxpayer may not claim a credit as both a firefighter and as an ECP.
- According to the Montana Public Employees Retirement Administration, there were approximately 2,230 volunteer firefighters at the end of FY 2022.
- According to EMS and Trauma Service at the Department of Public Health and Human Service, there were approximately 1,640 ECPs who would potentially qualify for the credit in Montana in 2022.
- In total, it is assumed that 3,870 (2,230 + 1,640) taxpayers would qualify and claim the credit.
- As the number of taxpayers qualified for the credit has not increased significantly over the past two years, it is assumed that the number of taxpayers who qualify for the credit remains at 3,870 for future tax years.

7. The credit is available starting TY 2024 and continues through TY 2029.
8. With a \$500 credit per taxpayer and 3,870 qualified taxpayers, a total of \$1,935,000 (\$500 X 3,870) in credits would be claimed if all qualified taxpayers claimed a credit each tax year.
9. It is assumed that some taxpayers will not know of the credit during the first two years. It is assumed that 50% of qualified taxpayers will claim the credit the first year the credit is available. It is assumed that 75% of qualified taxpayers will claim the credit the second year the credit is available. Finally, 100% of qualified taxpayers are assumed to claim the credit starting TY 2027.
10. Based on the \$1,935,000 in total credits, and the phase-in percentages in assumption 9, a total of \$967,500 in credits are assumed to be claimed in TY 2024, \$1,451,250 in TY 2025, and \$1,935,000 in TY 2026.

Tax Year	Qualifying Volunteers	Percent Claiming	Number of Credits	Credits Claimed
2024	3,870	50%	1,935	\$967,500
2025	3,870	75%	2,903	\$1,451,250
2026	3,870	100%	3,870	\$1,935,000
2027	3,870	100%	3,870	\$1,935,000

11. It is assumed that taxpayers will not adjust their withholding or estimated payments in response to this credit.
12. With no changes in withholdings or estimated payments, the credits will reduce income tax revenue the fiscal year taxpayers file their income tax returns. HB 542 will reduce general fund revenue by \$967,500 in FY 2025, \$1,451,250 in FY 2026, and \$1,935,000 in FY 2027.
13. The changes made by HB 542 can be made as part of the DOR annual change processes. The department does not expect to incur any significant additional costs because of this bill.

<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	0.00	0.00	0.00
<u>Expenditures:</u>				
Personal Services	\$0	\$0	\$0	\$0
TOTAL Expenditures	\$0	\$0	\$0	\$0
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	\$0	\$0	\$0	\$0
<u>Revenues:</u>				
General Fund (01)	\$0	(\$967,500)	(\$1,451,250)	(\$1,935,000)
TOTAL Revenues	\$0	(\$967,500)	(\$1,451,250)	(\$1,935,000)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	(\$967,500)	(\$1,451,250)	(\$1,935,000)


 Sponsor's Initials

2-20-2023
 Date


 Budget Director's Initials

2-20-23
 Date