



OHIO LEGISLATIVE SERVICE COMMISSION

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Fiscal Note & Local Impact Statement

Bill: H.B. 575 of the 132nd G.A.

Status: As Introduced

Sponsor: Reps. Keller and Rezabek

Local Impact Statement Procedure Required: Yes

Subject: To grant income tax credits to persons who serve as volunteer firefighters or emergency medical service technicians

State & Local Fiscal Highlights

- The refundable tax credit would reduce revenue from the state personal income tax by up to \$62 million in FY 2019, assuming the bill is in effect for tax year 2018. The actual revenue loss may be less, and would depend on the number of eligible taxpayers taking advantage of the credit and their numbers of volunteer service years.
- Growth in the number of accumulated volunteer service years would contribute to growth in revenue loss amounts in subsequent years, which could approach up to \$107 million annually after about ten years.
- Tax receipts from the personal income tax are deposited into the GRF, thus, the GRF would bear 96.66% of any such revenue loss in FY 2019.¹ The remaining 3.34% would be borne by the Local Government Fund (LGF, 1.66%) and Public Library Fund (PLF, 1.68%). The funds would each lose up to approximately \$1.0 million during the first year.
- Any reduction in transfers to the LGF and PLF would decrease distributions from the funds to counties, municipalities, townships, public libraries, and other political subdivisions in the state by corresponding amounts.

Detailed Fiscal Analysis

The bill authorizes a refundable credit against the state personal income tax for an eligible taxpayer who performs services as a volunteer emergency responder during the taxpayer's taxable year. Under the bill, a "volunteer emergency responder" includes a firefighter authorized to act as such under section 3737.66 of the Revised Code; it also includes an emergency medical technician-basic, emergency medical technician-intermediate, emergency medical technician-paramedic, or first responder,

¹ Under current law, the LGF and PLF would each receive transfers of 1.66% of GRF tax revenue beginning in FY 2020. Thus, the GRF would bear 96.68% of any revenue loss starting in FY 2020.

as those terms are defined in section 4765.01 of the Revised Code, for a nonprofit fire company, fire department, or emergency medical service organization.²

The amount of the credit that a taxpayer may claim for a taxable year depends on the number of volunteer service years the taxpayer has accumulated. The bill defines "volunteer service years" as the total number of calendar years during which a taxpayer served as a volunteer emergency responder and met either of the following requirements: (1) the taxpayer went on at least 25% of the emergency response runs for each such year, or (2) the taxpayer participated in services other than responding to emergency calls on at least 25% of the total number of days on which volunteers performed such services during the year. The amount of the credit equals: (1) \$500 if the taxpayer has at least one and not more than five volunteer service years, (2) \$1,000 if the taxpayer has at least six and not more than ten volunteer service years, or (3) \$2,000 if the taxpayer has at least 11 volunteer service years. If the credit exceeds the amount of tax otherwise due, the excess must be refunded to the taxpayer.

The bill requires the head of the fire company, fire department, or emergency medical service organization with which the taxpayer serves as a volunteer to provide the taxpayer documentation regarding the number of volunteer service years for which the taxpayer served as a volunteer emergency responder. The taxpayer must also provide such documentation if it is requested by the Tax Commissioner.

Fiscal effect

Based on the number of individuals currently certified to perform the emergency responder duties described above, the revenue loss from the state personal income tax due to the refundable tax credit could be up to \$62 million in FY 2019, assuming the bill is in effect for tax year 2018. This potential revenue loss assumes that all individuals certified to perform emergency responder duties choose to fulfill the volunteer requirements of the bill draft. There is no requirement regarding the number of hours volunteered to qualify to claim the credit, though there is such a requirement to accumulate a voluntary service year toward qualifying for a more generous credit. Though the volunteer rate will likely be below 100%, it may not be very far below that rate. Thus, the revenue loss would likely be below the \$62 million potential, but it may not be far below that level.

According to active certifications data, published by the Ohio Department of Public Safety Division of Emergency Medical Services, as of April 2018, there were a total of 53,454 individuals with active certifications of emergency responders,³ and

² A volunteer in one of these roles remains eligible if he or she also serves in one of those capacities as a volunteer for another nonprofit fire company, fire department, or emergency medical service organization.

³ As of April 2018, there were a total of 53,454 active certifications. Of the total figure there were a total of 14,270 individuals with active certifications only as emergency medical services providers, a total of 12,312 individuals with active certifications only as firefighters, and a total of 26,872 individuals with active dual certifications. Active certifications data from the Department of Public Safety are available at http://www.publicsafety.ohio.gov/links/ems_cert_total.pdf (visited May 18, 2018).

therefore potentially eligible for the tax credit. LSC staff assume about 30% of such individuals had between one and five volunteer service years, 40% had between six and ten volunteer service years, and the remaining 30% had 11 or more volunteer service years; this assumption is informed by data on the number of new certifications issued during each of several recent fiscal years. The refundable credit per eligible individual would be \$500, \$1,000, or \$2,000, depending on the number of volunteer service years. To the extent that the bill draft encourages more volunteer activity by these individuals, the number of volunteer service years would grow, decreasing the number eligible for the \$500 credit, but increasing the number eligible for the \$2,000 credit. As this process continues the revenue loss would likely grow gradually, potentially approaching \$107 million after ten years.

Currently, tax receipts from the state personal income tax are deposited into the GRF. A portion of GRF tax revenue is transferred to the Local Government Fund (LGF, 1.66%) and Public Library Fund (PLF, 1.68%) each month. Thus the GRF would bear 96.66% of the revenue loss in FY 2019, or up to approximately \$60 million, and the remaining 3.34%, or up to \$2 million per year would be borne by the LGF and PLF. Under current law the PLF share will decrease to 1.66% in FY 2020, which effectively would increase the GRF share to 96.68%.