



HF 2459 – Emergency Medical Services and Firefighter Tax Credit (LSB 5552HV)
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Fiscal Note Version – New

Description

House File 2459 increases the Firefighter and Emergency Medical Services (EMS) Tax Credit from the existing maximum of \$50 to \$100. Full-time fire fighters who are also sere elsewhere as volunteer fire fighters, are made eligible for the credit. The changes are retroactive to tax year 2014.

This Bill also creates a tax credit for reserve police officers. The new credit is equal to \$100 and is first available for tax year 2014.

Background

The existing EMS and Firefighter Tax Credit was created in SF 2322 (Volunteer Firefighter and EMS Tax Credit Act of 2012). The credit was first available for tax year 2013.

Assumptions

- Since the tax credit was not available until tax year 2013, taxpayer usage numbers are not yet available. Therefore, usage and tax credit redemption numbers from the originating 2012 legislation are used. That estimate assumed 21,000 volunteer firefighter and EMS personnel would qualify for the credit.
- According to the Iowa Law Enforcement Academy, there are currently 646 active State-certified reserve peace officers in the State. This group is assumed to have met the minimum training standards and would be eligible for the tax credit.
- To estimate the projected impact of a nonrefundable \$100 tax credit, the Department of Revenue utilized their individual income tax micro-simulation model. The credit was randomly assigned to 21,646 tax returns, so the results could be adjusted for tax returns that do not have the full \$100 in income tax liability.
- Nonrefundable income tax credits impact the calculation of the local option income surtax for schools. Statewide, that surtax equals 3.5% of the revenue amount raised by the State individual income tax.

Fiscal Impact

The new reserve peace officer tax credit, along with the increased Firefighter and EMS Tax Credit, is estimated to reduce net General Fund revenue by \$1.1 million per year, beginning in FY 2015.

As a nonrefundable tax credit, the credit will also have an impact on the revenue generated by the local option income surtax for schools. The tax credit increase is estimated to decrease the annual statewide surtax yield by \$38,500, beginning with FY 2015.

Source

Department of Revenue

/s/ Holly M. Lyons

April 1, 2014

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
