



Fiscal Note

Fiscal Services Division

[HF 2280](#) – Fire, EMS, Reserve Officer Tax Credit Increase (LSB5050HV)
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Fiscal Note Version – New

Description

[House File 2280](#) increases the Volunteer Fire Fighter and Volunteer Emergency Medical Services Personnel Member Credit and the Reserve Peace Officer Credit from \$100 to \$200. The change is effective beginning tax year 2020.

Background

The Volunteer Fire Fighter and Volunteer Emergency Medical Services Personnel Member Credit and the Reserve Peace Officer Credit are both part of Iowa Code section [422.12](#). Each credit has a maximum of \$100 per taxpayer per year. If a taxpayer is a qualified volunteer for more than one position, the tax credit may only be earned for one position. If the taxpayer is not a qualified volunteer for the full tax year, the \$100 credit is prorated. The credit is not refundable or transferable, and unused credits may not be carried forward to a future tax year.

The Iowa Department of Revenue [Tax Credits Contingent Liabilities Report](#) lists the total tax credit redemptions under the two tax credits as \$1.3 million per year. This equates to 13,000 to 14,000 taxpayers claiming the credits per year.

Assumptions

Since the \$100 income tax credit is not refundable, a small percentage of the claimants are not able to benefit from the full \$100 annual tax credit as they do not have \$100 in Iowa income tax liability for that tax year. Raising the annual tax credit to \$200 will increase the percentage of claimants who cannot fully benefit. Therefore, doubling the maximum credit will not result in a doubling of the \$1.3 million current annual tax reduction associated with the two tax credits.

As a nonrefundable tax credit, the State income tax reduction will also reduce the statewide amount of revenue raised through any local option income [surtax](#) equal to approximately 3.0% of the State income tax revenue reduction.

Fiscal Impact

Increasing the Volunteer Fire Fighter and Volunteer Emergency Medical Services Personnel Member Credit and the Reserve Peace Officer Credit from \$100 to \$200 is projected to reduce net General Fund revenue by \$1.2 million per fiscal year, beginning with FY 2021.

The tax credit increase will also reduce annual revenue raised by local option income surtaxes by approximately \$35,000 annually.

Source

Iowa Department of Revenue

/s/ Holly M. Lyons

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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.

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