



HF 2418 – Volunteer Fire Fighter Pension and Income Tax Deduction (LSB2628HV)
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Fiscal Note Version – New

Description

House File 2418 requires the State Fire Service and Emergency Response Council, in consultation with the Department of Administrative Services, to establish a Length of Service Award Program for volunteer fire fighters. The Program will provide for a minimum contribution to the plan from a participating municipality, township, or benefited fire district, but participation in the plan by the entity is optional. The Bill eliminates the eligibility of fire fighters from the Volunteer Firefighter and Emergency Medical Services (EMS) Personnel and Reserve Peace Officer Tax Credit. The Bill takes effect upon enactment.

Background

Since January 1, 2014, the Volunteer Firefighter and EMS Personnel and Reserve Peace Officer Tax Credit has been available for volunteer fire fighters who meet certain conditions. If the volunteer serves the entire tax year, the volunteer is eligible to claim a tax credit that equals \$100. The tax credit is nonrefundable with no carryforward and is claimed against the individual income tax. If the volunteer does not serve the entire year, the current \$100 tax credit is prorated based on the number of months the volunteer served. If an individual serves in more than one position as a volunteer fire fighter, volunteer EMS personnel, or reserve peace officer, the tax credit can only be claimed for one volunteer position.

The Department of Revenue reports that in tax year 2016, 13,347 Iowa households (including 12,397 primary taxpayers and 1,640 secondary taxpayers, some in the same household) claimed a total of \$1.4 million in Iowa Volunteer Firefighter and EMS Personnel and Reserve Peace Officer Tax Credits.

Assumptions

- Because the Bill takes effect upon enactment, administration of the tax credit may be applied retroactively to the tax year beginning January 1, 2018.
- There are approximately 18,000 volunteer fire fighters, 10,685 certified EMS personnel, and 1,185 reserve peace officers. Some volunteer fire fighters may also be certified EMS personnel.
- Based on the relative number of volunteer fire fighters to EMS and peace officers, 60.0% of the tax credits were claimed by volunteer fire fighters, impacting 7,438 primary taxpayers and 984 secondary taxpayers.
- The Department of Public Safety will use existing staff to create administrative rules to provide for the minimum contribution requirements, eligibility requirements for participation by volunteer fire fighters, minimum vesting requirements, and other rules deemed necessary to operate the Program.
- The Department of Administrative Services anticipates a negligible fiscal impact as a result of serving in a consultation role for this Program.
- Beginning tax year 2018, volunteer fire fighters will no longer be eligible to claim the tax credit that equals \$100 if the volunteer serves for the entire tax year. The tax credit will remain available for volunteer EMS personnel and for reserve peace officers.
- The Bill creates a Length of Service Award Program, but no funding is provided.

Fiscal Impact

Beginning in FY 2019, [HF 2418](#) will increase General Fund revenue by an estimated \$778,000 annually. In addition, the local option income surtax for school revenue will increase by approximately \$44,000 annually.

Sources

Department of Revenue
Department of Administrative Services
Department of Public Safety

/s/ Holly M. Lyons

February 22, 2018

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.
