

Fiscal Note & Local Impact Statement

122nd General Assembly of Ohio

BILL: Sub. S.B. 57

DATE: April 22, 1997

STATUS: In Senate Ways and Means

SPONSOR: Sen. DiDonato

LOCAL IMPACT STATEMENT REQUIRED: Yes

CONTENTS: Creates a state income tax deduction of up to \$750 for amounts paid by volunteer fire fighters, auxiliary police officers, or emergency medical technicians (EMTs) for equipment or training

State Fiscal Highlights

STATE FUND	FY 1998	FY 1999	FUTURE YEARS
General Revenue Fund			
Revenues	Loss of \$245,000 to \$335,000	Loss of \$258,000 to \$353,000	Loss of \$258,000 to \$353,000
Expenditures	- 0 -	- 0 -	- 0 -

- Reduces state income tax revenue by \$290,000 to 395,000 annually. The state GRF share of the loss is \$258,000 to \$353,000. The estimated revenue loss in FY 1998 is somewhat smaller because the taxable year 1997 rate cut (based on the ending FY 1997 GRF surplus) will reduce marginal rates and therefore reduce the tax savings from the proposed deduction.
- Imposes additional costs on the Department of Taxation. The department has estimated that additional costs from redesigning and reprinting the tax form, and keypunching additional data, will be roughly \$300,000 annually, or roughly as much as the GRF share of the tax relief granted.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 1998	FY 1999	FUTURE YEARS
Counties, Municipalities, and Townships (loss from LGF and LGRAF)			
Revenues	Loss of \$12,000 to \$16,000	Loss of \$12,000 to \$17,000	Loss of \$12,000 to \$17,000
Expenditures	- 0 -	- 0 -	- 0 -
Libraries and other local governments (loss from LLGSF)			
Revenues	Loss of \$16,000 to \$21,000	Loss of \$16,000 to \$23,000	Loss of \$16,000 to \$23,000
Expenditures	-0-	-0-	-0-

- The reduction in state income tax revenue also reduces the amount of money going to the three local government funds (LGFs). The LGFs bear 10.5 percent of the total loss. Reductions in these revenue-sharing funds mean reduced allocations for counties, municipalities, townships, and library districts.



Detailed Fiscal Analysis

The estimated revenue loss was computed separately for each of the three personnel categories covered. Fairly detailed and comprehensive information was available for auxiliary police officers, and the estimated revenue loss in that category is probably the most precise of the three. A summary of the estimated revenue loss from all three categories is contained in table 1, below.

Table 1 - Revenue Losses from the Deduction for Clothing, Equipment, and Training

Category		deductible amount	average marginal tax rate	tax revenue loss	GRF	LGFs
Auxiliary Police Officer	low	\$2,054,160	4.457%	\$91,554		
	high	\$3,765,600	4.457%	\$167,833		
Volunteer Firefighter	low	\$3,054,375	4.457%	\$136,133		
	high	\$3,616,875	4.457%	\$161,204		
Volunteer EMT	low	\$1,368,750	4.457%	\$61,005		
	high	\$1,462,500	4.457%	\$65,184		
All Covered Volunteers	low	\$6,477,285	4.457%	\$288,693	\$258,380	\$30,313
	high	\$8,844,975	4.457%	\$394,221	\$352,827	\$41,393

The estimated revenue loss would be higher if not for the \$750 cap on deductions. While much of the clothing and gear required for police, firefighters, and EMTs costs less than the cap, the training is often quite expensive, running into the thousands of dollars. For officers who pay for their own training expenses, the cap will limit their deduction.

Finally, while federal law allows an itemized deduction for the cost of work clothes for police and firefighters, this deduction does not affect federal adjusted gross income (FAGI) and thus does not have any impact on Ohio income taxes. Furthermore, the federal deduction is subject to the 2 percent of FAGI floor, which means that in practice few auxiliary police, firefighters, or EMTs can take advantage of it.

Auxiliary Police Officers

There are an estimated 20,000 auxiliary police officers in Ohio, or about half of all law enforcement personnel. Roughly 80 percent of auxiliary officers (about 16,000) have full arrest powers and carry a weapon. This means that they have had to take basic training (\$1,500 to \$2,000) and perhaps buy their own weapon (\$350 to \$600). For police officers, most of the job expenses are in training and in the initial outfitting, where a number of expensive items must be bought. LBO estimates that the annual cost for an officer after the first year is about \$240-\$410, but first year costs, if an officer pays 100 percent of training and equipment expenses, can be \$4,000 to \$5,000.

Based on survey data, about 33 percent of Ohio's auxiliary officers pay all their own expenses, while 30 percent receive partial support and 37 percent are fully reimbursed by their

employer. Thus, not quite 2/3 of all auxiliary police officers would benefit from the proposed deduction.

Volunteer Fire Fighters

Based on sketchy information, LBO estimates that there are about 15,000 volunteer firefighters in Ohio. As with police officers, most of the employee expenses are in training and in the initial purchase of gear. While the 1a course required of volunteers is only \$150 (plus \$125 for books), the 240 hour Basic Firefighters I and II courses are roughly \$850 plus \$150 in rental equipment. A set of firefighting clothing is \$300 to \$350, while gear is \$700 to \$1,000. In richer counties, the fire department often pays for gear for volunteers, and sometimes for uniforms as well. However, in some counties, volunteers are responsible for all their clothing and gear, and any training above the 1a course.

Emergency Medical Technicians (EMTs)

LBO estimates that there are roughly 5,000 volunteer EMTs in Ohio (a “typical” Ohio fire department has about 75 percent firefighters and 25 percent EMTs). EMTs have the same uniforms as firefighters, but replace clothing more often because of their contact with blood and other bodily fluids. The required basic EMT course, which costs \$325 plus \$100 for books, is generally reimbursed by the fire department. However, a volunteer must generally purchase the paramedic course himself if he desires, at a cost of about \$1,400.

Although there are only 1/3 as many EMTs as volunteer firefighters, the deduction for EMTs is higher than 1/3 as much as for firefighters because of their higher training and uniform costs.

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