



Legislative Fiscal Bureau

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TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 469: Creating a Nonrefundable Tax Credit for Volunteer Fire Fighters and Emergency Responders

Assembly Bill 469 (AB 469) would create a nonrefundable tax credit under the state individual income tax for volunteer fire fighters and emergency responders beginning in tax year 2019. The bill was introduced on September 23, 2019, and was referred to the Assembly Committee on Ways and Means. That committee held a public hearing on September 26, 2019.

BACKGROUND

Under the state's individual income tax, filers calculate their gross tax liability based on their taxable income and the four tax rates and brackets established under state law. Next, they may subtract any tax credits for which they qualify, resulting in their net tax liability. There are two types of credits that taxpayers may claim. Nonrefundable credits may be used to reduce net tax liability to zero, but the credit amount may not exceed the amount of taxes owed. Refundable credits may exceed the amount of tax due and, in such instances, result in a payment for the difference to the claimant.

SUMMARY OF AB 469

The bill would create a nonrefundable tax credit under the state individual income tax beginning in tax year 2019 for emergency responders, defined as volunteer fire fighters, volunteer emergency medical responders, and volunteer emergency medical services practitioners. The credit would equal \$100 annually for eligible claimants, who have served as an emergency responder at one or more departments in this state for at least five years, including the tax year related to the claim. In addition, claimants must be in "good standing" with the department he or she serves.

The credit would not be available to part-year residents or nonresidents of Wisconsin. No credit would be allowed unless it is claimed within four years of the tax year to which the claim

relates, and no credit would be allowed for a tax year covering a period of less than 12 months, except in the event of a claimant's death. The Department of Revenue would be authorized to administer the credit under standard general statutory provisions related to the income tax.

In 2016, the Joint Legislative Council established an interim study committee to "examine issues related to the shortage of volunteer firefighters and emergency medical technicians (EMTs) in the state, particularly in rural areas, and propose measures to address the shortage." The Study Committee on Volunteer Firefighter and Emergency Medical Technician Shortages developed legislative options in response to this charge, which were introduced as six Senate bills by the Joint Legislative Council in the 2017-18 Legislative Session. One of the bills, 2017 Senate Bill 32, would have created an individual income tax credit for emergency responders. That bill differs from the current proposal by making the credit refundable and by basing the credit on the responder's hours of service time and course-work time. After its referral to committee, no further action on the bill occurred.

FISCAL EFFECT

As of this writing, a departmental fiscal note is not available for AB 469. Based on data provided by the Department of Health Services, regarding emergency medical responders and practitioners, and from the Department of Safety and Professional Services, regarding volunteer fire fighters, the number of eligible claimants is estimated at 19,221 and the amount of gross tax credits claimed is estimated at \$1.9 million ($19,221 \times \$100 = \$1,922,100$). Because the credit would be nonrefundable, only an estimated 84% of that amount would be used to offset individual income tax liabilities. Based on the preceding information, the proposed credit would reduce individual income tax collections by an estimated \$1.6 million on an ongoing basis, beginning in 2019-20.

Prepared by: Rick Olin