

**SENATE APPROPRIATIONS COMMITTEE  
FISCAL NOTE**

**BILL NO.** Senate Bill 299

**PRINTER NO.** 1045

**AMOUNT**

No Fiscal Impact

**FUND**

General Fund

**DATE INTRODUCED**

January 21, 2015

**PRIME SPONSOR**

Senator Baker

**DESCRIPTION AND PURPOSE OF BILL**

Senate Bill 299 amends Title 35 (Health and Safety) by adding new chapter 79A entitled "Incentives for Municipal Volunteers of Fire Companies and Nonprofit Emergency Medical Services Agencies."

Senate Bill 299 authorizes municipalities to enact a tax credit against an active volunteer's local earned income as a financial incentive to acknowledge the value of volunteer fire protection and nonprofit emergency medical services ("EMS") and to encourage individuals to either volunteer or consider rejoining in a volunteer fire company or nonprofit EMS agency.

The legislation provides that a municipality that levies an earned income tax may establish by ordinance a tax credit against an individual's liability imposed under Chapter 3 of the Local Tax Enabling Act for active service as a volunteer. A municipality shall set forth in the ordinance the total amount of the tax credit that will be offered to an individual, but such tax credit shall not exceed the individual's tax liability. The governing body of a municipality shall provide at least 30 days public notice of its intent to adopt an ordinance or resolution to establish a tax credit and conduct at least one public hearing on the issue. Furthermore, a municipality that establishes a tax credit shall notify the State Fire Commissioner of the Commonwealth ("commissioner").

An individual who satisfies all of the following criteria may claim the tax credit provided for by Senate Bill 299:

1. The individual is subject to an earned income tax of a municipality that has established a tax credit under new section 79A11.
2. The individual is certified under new section 79A23.

An active volunteer may claim a tax credit when filing a joint return. Also, the tax return form shall provide a mechanism for separating the liability of an individual for any earned income tax imposed by the school district of residence (i.e. not subject to a tax credit) from the liability of an individual for any earned income tax imposed by the municipality.

# **SENATE APPROPRIATIONS COMMITTEE**

## **FISCAL NOTE**

A tax credit may be used against earned income tax for the current taxable year and every year thereafter, and the tax credit shall remain in effect until the governing body of the municipality repeals the tax credit.

The governing body of a municipality may establish a volunteer service credit program to establish the annual requirements for the certification of a volunteer in active service at a volunteer fire company or a nonprofit EMS agency. The volunteer service credit program shall consider the following activities in determining credit toward a certification of active service:

1. The number of emergency calls to which a volunteer responds.
2. The level of training and participation in formal training and drills for a volunteer.
3. The total amount of time expended by a volunteer on administrative and other support services, including fundraising and facility or equipment maintenance.
4. The involvement in other events or projects that aid the financial viability, emergency response or operational readiness of a volunteer fire company or a nonprofit EMS agency.

The governing body of a municipality shall, with the advice of the chief of a volunteer fire company and the supervisor or chief of a nonprofit EMS agency or their designees, adopt guidelines, including forms and applications, necessary to implement the volunteer service credit program.

A notarized list of eligible active volunteers shall be submitted to the governing body of a municipality, no later than 45 days before tax notices are to be distributed, by the chief of a volunteer fire company or the supervisor or chief of a nonprofit EMS agency.

The chief of a volunteer fire company or the supervisor or chief of a nonprofit EMS agency or their designees shall establish and maintain a service log that documents the activities of each volunteer that qualifies for credit toward active service under the volunteer service credit program and the calculation of the total credits earned for each volunteer. Service logs shall be subject to periodic review by the commissioner, the Auditor General, the governing body where the company or agency is located and the governing body where the company or agency provides services.

The active volunteer shall sign and submit an application (i.e. self-certification) to the chief of the volunteer fire company or the supervisor or chief of a nonprofit EMS agency where the volunteer serves. The chief or supervisor and another officer of the company or agency shall sign the application attesting to the individual's status as an active volunteer. The application shall then be forwarded to the municipality for final review and processing.

# **SENATE APPROPRIATIONS COMMITTEE**

## **FISCAL NOTE**

A governing body of a municipality that establishes a tax credit under this legislation shall adopt, by ordinance, a process for rejecting a claim by an active volunteer who does not satisfy all of the criteria for a tax credit. An active volunteer shall have the right to appeal a claim that has been rejected, and the governing body shall establish the procedure by which a rejected claim can be appealed.

Any person who knowingly makes or conspires to make a false service record report or provides false information that is used to compile a service record report commits a misdemeanor of the first degree punishable by a fine of \$2,500.

The act shall take effect in 60 days.

### **FISCAL IMPACT:**

Senate Bill 299 will have no fiscal impact on Commonwealth funds.

The legislation may reduce the municipal portion of the local earned income tax to the extent that municipalities opt to establish a tax credit against the local earned income tax. Any school district portion of the local earned income tax is not affected by Senate Bill 299.

During the 2013-2014 legislative session, the Pennsylvania Senate Veterans Affairs and Emergency Preparedness Committee issued a special report entitled "The Challenges of Firefighting Today." The report indicates that there are approximately 50,000 to 70,000 volunteer firefighters in Pennsylvania. In order to account for additional nonprofit EMS volunteers that may be separate from firefighters, the fiscal impact analysis uses an estimated 60,000 volunteers.

Act 511 of 1965, the Local Tax Enabling Act, authorizes local earned income taxes for most municipalities and school districts. The tax is levied on wages, salaries, commissions, net profits, or other compensation of people subject to the jurisdiction of the taxing body. Municipalities and school districts levying earned income taxes may exempt people whose income from all sources is less than \$12,000 per year from payment of the earned income tax. With some exceptions, municipalities and school districts subject to Act 511 may, by ordinance or resolution, enact an earned income tax limited to one percent. Where both a municipality and a school district impose the tax on the same wage earner, the one percent maximum rate is divided evenly between the two taxing districts unless they agree otherwise.

# SENATE APPROPRIATIONS COMMITTEE

## FISCAL NOTE

This fiscal note uses two methodologies to estimate the maximum statewide fiscal impact to municipalities.

### Estimate A

Financial information obtained from the Pennsylvania Department of Education's Internet website indicates that Current Act 511 Earned Income Taxes generated approximately \$1.27 billion for fiscal year 2013-14. Because municipalities and school districts typically divide the tax evenly, it is presumed that local municipalities also generated approximately \$1.27 billion in FY 2013-14. 60,000 volunteers make up approximately 1.0% of Pennsylvania's labor force of about 6.3 million people. If all municipalities opted to provide a maximum tax credit against their local earned income tax under this legislation, the total amount of the tax credit would be approximately \$12.7 million per year statewide, calculated as one percent of the total municipal local earned income tax revenues collected.

### Estimate B

Pennsylvania's Statewide Average Weekly Wage was \$951 for FY 2013-14, which implies that the average annual salary of a Pennsylvania worker would be approximately \$49,500 per year. Assuming that the municipal portion of the local earned income tax rate was 0.5%, the average amount of local earned income tax liability subject to a tax credit under Senate Bill 299 would be \$248 per year. 60,000 volunteers receiving a maximum \$248 per year tax credit implies that the total cost of the tax credit would be approximately \$14.9 million statewide.

Senate Bill 299 does not require municipalities to adopt a tax credit for volunteer firefighters or EMS workers. Furthermore, the legislation provides that a municipality shall set forth the total amount of tax credit that will be offered to an individual volunteer. Therefore, the estimated cost to local funds of approximately \$13 million to \$15 million per year should be viewed as a maximum amount.