

FISCAL NOTE TO
SENATE, No. 585

STATE OF NEW JERSEY

DATED: SEPTEMBER 27, 1996

Senate Bill No.585 of 1996 allows eligible volunteer firefighters and first aid and rescue squad members to take an additional \$1,000 personal exemption as a deduction from gross income under the New Jersey gross income tax beginning with tax year 1996.

The bill specifically sets forth eligibility requirements for persons who want to claim the additional personal exemption. Fire company members would be eligible if they serve as a volunteer for the entire tax year, respond to at least 60 percent of regular alarms and 60 percent of drills, and have attained the rank of Firefighter I Certified. First aid and rescue squad members would be eligible if they serve as a volunteer for the entire tax year, respond to at least 10 percent of regular alarms and 60 percent of the drills, and have passed an approved training program or qualified as an emergency medical technician.

The official in charge of each fire department or force or first aid or rescue squad is required to submit annually to the appropriate State agency a list of members who have met the above requirements.

FISCAL IMPACT:

The Department of Treasury estimates that Senate Bill No.585 of 1996 will cost the State approximately \$1.3 million annually in reduced revenue collections from the State's gross income tax. The Treasury notes that this estimate is a high-end estimate because all volunteer firefighters and rescue squad members are assumed to be eligible.

The Office of Legislative Services (OLS) estimates this bill will cost the State as much as \$1.0 million annually, a somewhat lower cost than the Treasury's estimate. This estimate is also a high-end estimate, because not all of the estimated number of volunteers may be eligible for the exemption.

ASSUMPTIONS:

New Jersey may have about 57,000 volunteer firefighters and first aid and rescue squad members: 40,000 volunteer firefighters according to the Department of Community Affairs (DCA) and an estimated 17,000 volunteer emergency medical technicians according to Emergency Medical Services of the Department of Health. The Treasury increased the estimate of the number of eligible volunteer firefighters and rescue squad members by projected New Jersey

population growth, multiplied the estimate by the \$1,000 exemption amount, and multiplied it by the effective tax rate on gross income. The \$1.3 million estimate can be calculated by assuming a 2.3 percent effective tax rate. All of the estimated number of volunteers are assumed to be eligible for the exemption, so the Treasury notes its estimate is a high-end estimate.

However, the OLS notes that, according to the DCA, of the approximately 40,000 volunteer firefighters, only about 26,000 are "Firefighter I Certified" as required in the bill. Instead of 57,000 eligible volunteers, the OLS assumes only 43,000 eligible volunteers. At an effective tax rate of 2.3 percent, the cost of this bill would be approximately \$1.0 million annually. The OLS also notes that this estimate may be a high-end estimate because not all of the estimated number of volunteers may be eligible for the exemption.

This fiscal note has been prepared pursuant to P.L.1980, c.67.