

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: HB1241**

**Bill Subtitle: TO CREATE A REFUNDABLE TAX CREDIT FOR CERTAIN VOLUNTEER FIREFIGHTERS.**

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### Basic Change :

**Sponsors: Reps. Painter, Tosh, Andrews, Bentley, Breaux, Joey Carr, Duffield, Eubanks, Fortner, L. Johnson, B. McKenzie, McNair, Milligan, J. Moore, Pearce, Puryear, Rye, Schulz, Steimel, Vaught, and Wardlaw; Sen. Flippo**

HB1241 provides a \$500 refundable income tax credit for a qualified volunteer firefighter.

HB1241 defines a "qualified volunteer firefighter" as a member of a fire department or firefighting unit who:

- Actively engages in fire suppression, rescue, pump operation, or other firefighting activities;
- Receives less than \$5,000 in total compensation during the taxable year from the volunteer fire department or firefighting unit that the volunteer firefighter serves; and
- Has properly completed a form developed by the Department of Finance and Administration (DFA) that demonstrates the qualified volunteer firefighter is entitled to the credit.

HB1241 requires DFA to approve the form to be used to verify eligibility for the credit. The form shall require:

- Proof that the taxpayer completed certain courses at the Arkansas Fire Training Academy;
- Proof that the taxpayer completed the wildland firefighting course taught by the Arkansas State Forestry Commission; and
- Signed approval of the taxpayer's fire chief, board of commissioners, or mayor.

A taxpayer seeking to claim the credit shall submit the form with his or her individual income-tax return.

HB1241 is effective for tax years beginning on and after January 1, 2023.

### Revenue Impact :

**FY2024 - \$7.2M General Revenue Reduction**

[ Revenue impact is based on the 13,791 volunteer firefighters documented by the Arkansas Department of Public Safety: Division of Emergency Management for CY2020. ]

### Taxpayer Impact :

A qualified volunteer firefighter would be eligible to claim a refundable \$500 income tax credit each year. To be eligible for the credit, a qualified volunteer firefighter would be required to complete and file a form developed by DFA with the taxpayer's individual income tax return.

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### **Resources Required :**

Computer programs, tax forms, and instructions will need to be updated. Staff will need to be trained on the procedures adopted to administer the credit. Programming costs for the Arkansas Integrated Revenue System (AIRS) is estimated at \$16,000. Additional staffing costs required to process and audit the tax credit claims total \$169,605 including three Fiscal Support Analysts and one Tax Auditor position.

### **Time Required :**

Adequate time is provided for implementation.

### **Procedural Changes :**

DFA staff would need to be trained to implement the new credit program.

### **Other Comments :**

HB1241 appears to contain a drafting error on Page 2, Line 8: "as the Arkansas Fire Training Academy" should likely be "at the Arkansas Fire Training Academy."

### **Legal Analysis :**

None.