

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 6313**

**BILL NUMBER:** HB 1235

**NOTE PREPARED:** Nov 30, 2012

**BILL AMENDED:**

**SUBJECT:** Tax Deduction for Certain Public Safety Providers.

**FIRST AUTHOR:** Rep. Battles

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:**  **GENERAL**  
 **DEDICATED**  
 **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill provides an Individual Income Tax deduction of up to \$2,000 for income received by an individual for service as a:

- Volunteer firefighter.
- Police reserve officer.
- Indiana Guard Reserve member.

**Effective Date:** July 1, 2013.

**Explanation of State Expenditures:** *Department of State Revenue (DOR):* The DOR will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the new deduction. The DOR's current level of resources should be sufficient to implement this change.

**Explanation of State Revenues:** *Summary -* The bill would reduce state Adjusted Gross Income (AGI) tax liabilities for individual taxpayers who receive income for service provided as a volunteer firefighter, police reserve officer, or member of the Indiana Guard Reserve beginning in tax year 2014. If all the eligible people claim the maximum allowable deduction, the total annual revenue loss could be about \$1.46 M beginning in FY 2015. Revenue from the Individual AGI tax is deposited in the state General Fund.

**Additional Information -** The bill provides a taxable income deduction for the first \$2,000 of income received by an individual taxpayer for service during the year as a volunteer firefighter, police reserve officer, or member of the Indiana Guard Reserve. In Indiana, there are approximately:

- 18,000 volunteer firefighters.
- 3,228 police reserve officers.
- 280 Indiana Guard Reserve members.

However, the number of eligible individuals receiving income for providing these services is unknown.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** The tax deduction will decrease taxable income, so counties imposing local option income taxes (LOIT) could potentially experience a decrease in revenue. Using the median current LOIT rate of 1.45%, LOIT collections on a statewide basis could potentially be reduced by an estimated \$0.62 M annually beginning in FY 2015.

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:** Counties with local option income taxes.

**Information Sources:** Mike Garvey, Indiana Department of Homeland Security, 317-232-3983; Maria Bell, Indiana Law Enforcement Academy; 317-837-3227; Adjutant General's Office Budget Brief, November 27, 2012.

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