

# GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

## Legislative Fiscal Note

**BILL NUMBER:** House Bill 928 (First Edition)

**SHORT TITLE:** US Coast Guard Auxiliary Tax Deduction.

**SPONSOR(S):** Representative Avila

<b>FISCAL IMPACT</b>					
	<b>Yes (x)</b>	<b>No ( )</b>	<b>No Estimate Available ( )</b>		
	<b><u>FY 2009-10</u></b>	<b><u>FY 2010-11</u></b>	<b><u>FY 2011-12</u></b>	<b><u>FY 2012-13</u></b>	<b><u>FY 2013-14</u></b>
<b>REVENUES:</b>					
<b>General Fund</b>	<b>-\$0.2</b>	<b>-\$0.2</b>	<b>-\$0.2</b>	<b>-\$0.2</b>	<b>-\$0.2</b>
<b>PRINCIPAL DEPARTMENT(S) &amp; PROGRAM(S) AFFECTED:</b> NC Department of Revenue					
<b>EFFECTIVE DATE:</b> January 1, 2009					

### **BILL SUMMARY:**

Amends GS 105-134(b) to allow a \$3,500 per taxpayer deduction from taxable income for taxpayers who have been a member in good standing of the U.S. Coast Guard Auxiliary for the preceding 72 months and have completed at least 75 hours of documented volunteer service during the tax year. Effective for taxable years beginning on or after January 1, 2009.

*Source: Bill Digest H.B. 928 (03/31/0200).*

### **ASSUMPTIONS AND METHODOLOGY:**

The bill allows members of the United States Coast Guard Auxiliary a tax deduction on taxable income in the amount of \$3,500. G.S. 105-134(b) is amended to include taxpayers who meet the following conditions:

- (a) The taxpayer has been a member of the US Coast Guard Auxiliary in good standing for the preceding 72 months.
- (b) The taxpayer has completed at least 75 hours of documented volunteer service during the year in which the tax deduction is being claimed.
- (c) The taxpayer submits, with the tax return, any documentation required by the Secretary.

### **ASSUMPTIONS AND METHODOLOGY:**

In North Carolina, there are 6 Coast Guard Auxiliary divisions with a combined annual membership of approximately 1,000 members. The average number of years of service in the North Carolina Auxiliary Division is 7 years. There is no upper age limit for members of the Auxiliary.

A tax deduction given to active U.S. Coast Guard Auxiliary member will decrease the amount of State income tax revenues by approximately \$0.2 million per year over the next five years. Coast Guard data from May 2008 indicates there are 957 members in North Carolina. Only 5 of the 6 divisions have an average active membership of 72 months or more. By subtracting one division that does not qualify for the income tax deduction due to the required years of service, the estimated impact on the General Fund is based upon 820 members.

<b>Demographics for 2008</b>	Division 9	Division 10	Division 16	Division 17	Division 18	Division 20	Total
Average Number of Years Served	7.1	6.8	5.7	9.7	9.0	8.7	7.8
Number of Division Members	134	286	137	97	83	220	957

This number is overly optimistic and potentially higher than the real number of qualified candidates due to the fact that the number of volunteer hours per person is not known. The impact on the General Fund is estimated with 2% annual increase due to population growth and assumes that each member's tax deduction is taken against a tax rate of 7%.

<b>NC Coast Guard Auxiliary</b>	<b>FY 2008-09</b>	<b>FY 2009-10</b>	<b>FY 2010-11</b>	<b>FY 2011-12</b>	<b>FY 2012-13</b>
<b>Number of Members</b>	820	836	853	870	887
<b>Amount of Tax Deduction</b>	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500
<b>Total Tax Deductions</b>	\$2,870,000	\$2,926,000	\$2,985,500	\$3,045,000	\$3,104,500
<b>Impact on General Fund*</b>	<b>(\$0.2)</b>	<b>(\$0.2)</b>	<b>(\$0.2)</b>	<b>(\$0.2)</b>	<b>(\$0.2)</b>

\*7% effective tax rate

**SOURCES OF DATA:** The United States Coast Guard Auxiliary

**TECHNICAL CONSIDERATIONS:** None

**FISCAL RESEARCH DIVISION: (919) 733-4910**

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**DATE:** July 13, 2009



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