

# **SJR 5 Study: Emergency Medical Services Tax Incentives for EMTs and Employers**

## Background

A number of stakeholders suggested that tax incentives could help in recruiting and retaining emergency medical technicians (EMTs). Tax incentives fall into two categories:

- **Tax credits**, which are a reduction to the taxpayer on taxes owed. The "cost" of the credit is a loss of general fund revenue that is equal to the number of people receiving the credit multiplied by the amount of the credit.
- **Tax deductions**, which reduce the amount of income that will be taxed. Most Montanans pay the top income tax rate of 6.9%, which is applied on taxable incomes that are greater than \$14,900. For every \$100 worth of tax deductions that are available, the individual taxpayer's liability is reduced by \$6.90. The top income tax rate for most businesses is 6.75%, so for every \$100 worth of deductions a business receives, its tax liability is reduced by \$6.75.

## Draft Legislation: LCS5-4

The legislation drafted for committee consideration would:

- Provide a tax credit to volunteer emergency medical technicians (EMTs) that is based on the amount of time they have volunteered during the tax year;
- Provide a tax deduction to employers who give their employees time off to respond to emergency medical calls as a volunteer EMT;
- Establish reporting requirements for EMS providers and for employers; and
- Create a state database that would allow the Department of Revenue to verify claims for tax credits or deductions.

## Committee Decision Points

In reviewing this legislation, the committee may want to consider the following questions:

- **Should tax incentives be limited to volunteer EMTs or include all EMTs?**  
The current bill draft limits the tax incentives to EMTs who are primarily volunteering their time. Stakeholders have expressed differing views, as follows:
  - ▶ Limiting tax incentives to volunteers may help out emergency medical services that depend on volunteers and are having trouble recruiting or retaining them.
  - ▶ Some emergency medical services provide some type of payment for response to emergency calls, and that payment may make EMTs who are essentially volunteers ineligible for a tax incentive if the incentive is limited to volunteers.
  - ▶ Some paid EMTs volunteer for other EMS providers and may be unfairly penalized by a law that limits tax incentives to volunteers.
  - ▶ Privately employed EMTs are not highly paid, and a tax incentive may help retain them in the profession.
  - ▶ Private ambulance services respond to a majority of EMS calls in the state, and their EMTs would not reap the benefits of a tax incentive even though private services also face recruitment and retention issues.
  - ▶ EMS providers may incur additional administrative burdens in tracking who is volunteering and the number of hours they are volunteering.

- **If incentives are limited to volunteers, how should "volunteer" be defined?**  
The current bill draft uses the language from Montana's "Good Samaritan" law as the criteria for defining who is a volunteer. Under 27-1-714, MCA, people providing emergency care at the scene of an accident are to be considered as volunteers if their reimbursement for those activities is less than 25% of their gross annual income or \$3,000 in a calendar year, whichever is greater.

Some stakeholders expressed concern about setting a compensation level for eligibility. They said this approach may encourage some EMTs to limit the number of runs they make or the hours they volunteer, so they won't exceed the compensation cap and lose their eligibility for the tax incentive. Other options proposed by stakeholders included:

- ▶ Using the guidelines established in the ongoing legislative audit. The audit considers volunteer EMTs to be individuals who may have another job and who choose the amount of time they will be available to respond to calls and the days and hours of the day that they will be available. In contrast, it considers people to be paid EMTs when they are paid an hourly wage, scheduled to work regular shifts, may have some level of benefits, and work as an EMT as their primary job or profession.
  - ▶ Using the U.S. Department of Labor findings on when a volunteer firefighter loses his or her volunteer status. The Department of Labor determined that a person is a volunteer firefighter as long as total compensation does not exceed 20% of the total compensation that a fire department would pay a full-time firefighter for similar work. Compensation includes uniform allowances, retirement benefits, and other items.
- **Should people who work as paid EMTs be able to claim the tax credit?**  
The current bill draft allows paid EMTs to claim a tax credit of up to \$250 for time they spend volunteering as an EMT for an EMS provider that is staffed primarily by volunteers.
- **Should training time be included for tax credit purposes?**  
The current bill draft counts up to 40 hours of training time toward the number of volunteer hours in determining the level of the tax credit. Considerations include:
  - ▶ The Board of Medical Examiners says initial training requirements for the various levels of licensure range from 44 hours for EMT-First Responders to 1,500 to 2,000 for EMT-Paramedics.
  - ▶ A licensed EMT-First Responder must complete 16 hours of continuing education during a two-year period.
  - ▶ Other EMTs must complete 72 hours of continuing education in a two-year period.
- **Should tax incentives be allowed for employers?**  
The current bill draft allows employers to claim a tax deduction when they give employees time off to respond to calls for an emergency medical service that is staffed primarily by volunteer EMTs. The tax deduction is based on the number of hours each employee spends away from work.
  - ▶ A DPHHS survey of EMTs in 2006 showed that 48% of the 591 respondents reported that it was easy to leave work to answer calls.
- **Should the tax incentives be tax credits or tax deductions?**  
The current bill draft provides tax credits to volunteer EMTs and tax deductions for employers.
- **Should the tax incentives be a flat amount or set at different levels based on level**

### **of service?**

The current bill draft bases both tax incentives on the number of hours spent on volunteer duties. Stakeholder comments on this issue included:

- ▶ Offering incentives but not placing any limits on the level of commitment required for a volunteer EMT could result in a large number of people becoming EMTs but a minimal increase in the number of hours that people actually volunteered.
  - ▶ Setting a minimum level of participation that is fair to all EMTs may be difficult because some EMTs respond to dozens of calls in a year and others respond to only a handful, simply because of location.
  - ▶ The Legislative Audit Division has estimated that only 48% of licensed EMTs who are volunteers are actually practicing EMS care.
- **What information should be contained in a database?**  
Section 4 of the current bill draft requires reporting of a number of items. The committee may want to consider whether this list should be expanded or reduced.
  - **Which state agency should collect the information and maintain the database?**  
The current bill draft gives this responsibility to the Board of Medical Examiners, which has a database of licensed EMTs. The draft also requires the Board to share the information with the Department of Revenue so the Department can verify eligibility for tax incentives. Other options include:
    - DPHHS, which says it is creating a database that could track the required information. The Department was planning to make participation in the database voluntary as it implemented it.
    - The Department of Revenue.

### Cost of Tax Credits for EMTs

The current bill draft provides tax credits only for EMTs who are essentially volunteering their time, on a sliding scale based on the number of hours volunteered.

The Legislative Audit Division is conducting a performance audit of the state's EMS programs. The Division reported in November 2007 that Montana had 2,462 volunteer EMTs during the audit period. The Division estimated that about 1,157 were actively volunteering.

Using that figure and an average tax credit of \$458, the credit may "cost" the general fund about \$530,000.

No figures exist at this time on the number of businesses that might employ volunteer EMTs, so estimating the cost of the proposed employer deduction is difficult.