

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the Legislature. LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

## FISCAL IMPACT REPORT

Sens. Stefanics and Woods/Reps. Gallegos, **LAST UPDATED** \_\_\_\_\_  
**SPONSOR** Vincent, and Armstrong **ORIGINAL DATE** 1/29/2025  
**BILL**  
**SHORT TITLE** Volunteer EMS & Firefighter Tax Credits **NUMBER** Senate Bill 15  
**ANALYST** Gray

### REVENUE\* (dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
PIT	\$0	Up to (\$8,000)	Up to (\$8,000)	Up to (\$8,000)	Up to (\$8,000)	Recurring	General Fund

Parentheses ( ) indicate revenue decreases.

\*Amounts reflect most recent analysis of this legislation.

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT\* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
TRD	\$0	\$75.8	\$0	\$75.8	Nonrecurring	General Fund

Parentheses ( ) indicate expenditure decreases.

\*Amounts reflect most recent analysis of this legislation.

Relates to House Bill 52

### Sources of Information

LFC Files

#### Agency Analysis Received From

Taxation and Revenue Department (TRD)

Health Care Authority (HCA)

Department of Health (DOH)

#### Agency Analysis was Solicited but Not Received From

Department of Homeland Security and Emergency Management (DHSEM)

## SUMMARY

### Synopsis of Senate Bill 15

Senate Bill 15 creates a \$1,000 refundable tax credit for volunteer emergency medical service (EMS) providers and volunteer firefighters. To be eligible for the credit, the volunteer firefighter or volunteer emergency medical service provider must volunteer at least 52 times in a year. The definition of volunteering is different for volunteer EMS providers and volunteer firefighters (see significant issues). The total amount of credits is capped at \$4 million for each credit for an aggregate cap of \$8 million.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, or June 20, 2025, if enacted. The bill applies to tax years 2025 through 2034.

## FISCAL IMPLICATIONS

The bill could reduce general fund revenue by up to \$8 million per year. LFC has serious concerns about the substantial risk to state revenues from tax expenditures and the increase in revenue volatility from erosion of the revenue base. The committee recommends the bill adhere to the LFC tax expenditure policy principles for vetting, targeting, and reporting or action be postponed until the implications can be more fully studied.

The Taxation and Revenue Department (TRD) estimates the bill could cost up to \$7.3 million per year.

### TRD Revenue Estimate (dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
PIT	\$0	(\$7,260)	(\$7,260)	(\$7,260)	(\$7,260)	Recurring	General Fund

Parentheses ( ) indicate revenue decreases.

The agency estimated the credit claimed by volunteer firefighters would reach the cap of \$4 million but the credit claimed by EMS providers would not reach the cap. The agency’s methods are below.

LFC analysis notes that, in general, EMS calls are likely sufficient for at least 4 thousand EMS providers to respond to 52 events a year. Additionally, LFC analysis notes that the broad definition of “volunteer” may induce a behavioral change. For example, an EMS volunteer who may not have otherwise been eligible may choose to provide more hours of on-duty volunteer time to become eligible. See significant issues for a discussion of definitions.

Accordingly, LFC analysis assumes that the cap will be reached each year for an aggregate cost of \$8 million.

### Methods

TRD analysis estimates there are 3.26 thousand EMS workers who qualify for the credit, based on data from the 2024 New Mexico Health Care Workforce Committee Report and assumptions about volunteering practices in urban and rural areas. The associated cost for this credit is \$1 thousand per claimant or \$3.26 million total. The agency estimates that among the 7,493 active volunteer firefighters reported by the Public Employees Retirement Association, there are at least 4 thousand who qualify for the credit, and, subsequently, the cost will meet the \$4 million cap.

LFC analysis makes the same assumptions but assumes that the EMS volunteer credit will also reach its cap, due to definitional factors or as the result of an inducement effect.

### Operating budget

TRD notes that administering the program will cost \$75.8 thousand in FY26, about 0.09 percent of the agency’s FY25 operating budget.

## SIGNIFICANT ISSUES

### ***Eligibility***

The bill provides a two-pronged eligibility criteria for each credit.

For the EMS volunteer credit:

- First, the taxpayer must be licensed by the Emergency Medical Systems Bureau to provide unpaid emergency medical services.
- Second, the taxpayer must have volunteered at least 52 times in the tax year. Volunteering is defined as responding to requests for emergency medical services **or** providing in a day one hour of on-duty volunteer station time.

For the volunteer firefighter credit:

- First, the taxpayer must be an active member on the rolls of a certified fire department to provide unpaid firefighter services.
- Second, the taxpayer must have volunteered at least 52 times in the tax year. Volunteering is defined as responding to requests for a fire department service **and** providing in a day one hour of on-duty volunteer station time.

There are several significant issues with these eligibility criteria. First, the minimum of 52 responses is different between EMS providers and volunteer firefighters. Volunteer EMS providers must either respond to 52 EMS service requests **or** report 52 days of providing one-hour of on-duty volunteer station time. In contrast, volunteer firefighters must have 52 responses **and** 52 days of providing one-hour of on-duty volunteer station time.

Second, SB15's volunteer eligibility criteria does not align with the eligibility criteria for volunteer firefighter retirement pensions. A volunteer firefighter who is over 55 years old with between 10 and 25 years of service credit can qualify for a pension of between \$125 per month and \$250 per month (\$1,500 per year and \$3,000 per year). A volunteer firefighter can gain a year of service credit if they:

- Attend 50 percent of all scheduled fire drills that they are required to attend;
- Attend 50 percent of all business meetings that they are required to attend; and
- Attend 50 percent of all emergency response calls that they are required to attend.

The eligibility requirements under SB15 may be more or less time intensive than the pension requirement, depending on the department's activity level. It is feasible that a volunteer firefighter would be eligible (or would be soon-to-be eligible) for a volunteer pension but not eligible for the \$1,000 tax credit. The inverse could also be true. A volunteer firefighter could be eligible for the \$1,000 tax credit but not the state-supported pension.

This analysis recommends policymakers consider this inconsistency and whether the competing eligibility criteria accomplishes the desired policy objective.

### ***Tax policy***

TRD notes that the growing number of tax incentives complicate the tax code. Tax incentives create special treatment and exceptions, which narrow the tax base, and impose a heavier compliance burden on taxpayers and the department.

The credit contains a delayed repeal, which is supported by both TRD and LFC.

### **Workforce**

TRD notes that recruitment and retention of trained personnel can be very difficult in rural communities. The agency states “many EMS workers spend hundreds of dollars out of pocket for certification. The amount of this credit may not incentivize additional EMS workers that are not presently volunteering to volunteer if it requires an outlay of cost.” Similarly, the Department of Health (DOH) notes that almost half of EMS agencies utilize volunteers to respond to service requests. The agency states that recruitment “has become more difficult because of these challenges, and volunteer fire and EMS agencies are struggling to provide the services needed.”

## **TECHNICAL ISSUES**

TRD suggests the following language be inserted on page 3, line 14.

“The tax credit provided by this section shall be included in the tax expenditure budget pursuant to Section 7-1-84 NMSA 1978.”

Additionally:

TRD notes that there are no definitions for “active” used to determine eligibility for both credits, under Section 1, subsection C on page 2, line 11 and Section 2, subsection C on page 5, line 3. PERA categorizes volunteer firefighters into three categories: active, inactive and retired. It is not clear if those classified as inactive or retired would be eligible for this credit if they meet the other criteria for eligibility. Definitions may need further expansion and clarification for the Department of Health (DOH) and State Fire Marshal’s Office to certify the taxpayers’ eligibility for these credits.

## **OTHER SUBSTANTIVE ISSUES**

In assessing all tax legislation, LFC staff considers whether the proposal is aligned with committee-adopted tax policy principles. Those five principles:

- **Adequacy:** Revenue should be adequate to fund needed government services.
- **Efficiency:** Tax base should be as broad as possible and avoid excess reliance on one tax.
- **Equity:** Different taxpayers should be treated fairly.
- **Simplicity:** Collection should be simple and easily understood.
- **Accountability:** Preferences should be easy to monitor and evaluate

In addition, staff reviews whether the bill meets principles specific to tax expenditures. Those policies and how this bill addresses those issues:

Tax Expenditure Policy Principle	Met?	Comments
<b>Vetted:</b> The proposed new or expanded tax expenditure was vetted through interim legislative committees, such as LFC and the Revenue Stabilization and Tax Policy Committee, to review fiscal, legal, and general policy parameters.	✘	
<b>Targeted:</b> The tax expenditure has a clearly stated purpose, long-term goals, and measurable annual targets designed to mark progress toward the goals. Clearly stated purpose Long-term goals Measurable targets	✘ ✘ ✘	
<b>Transparent:</b> The tax expenditure requires at least annual reporting by the recipients, the Taxation and Revenue Department, and other relevant agencies	✔	
<b>Accountable:</b> The required reporting allows for analysis by members of the public to determine progress toward annual targets and determination of effectiveness and efficiency. The tax expenditure is set to expire unless legislative action is taken to review the tax expenditure and extend the expiration date. Public analysis Expiration date	✘ ✔	
<b>Effective:</b> The tax expenditure fulfills the stated purpose. If the tax expenditure is designed to alter behavior – for example, economic development incentives intended to increase economic growth – there are indicators the recipients would not have performed the desired actions “but for” the existence of the tax expenditure. Fulfills stated purpose Passes “but for” test	? ?	
<b>Efficient:</b> The tax expenditure is the most cost-effective way to achieve the desired results.	?	
Key: ✔ Met   ✘ Not Met   ? Unclear		

BG/hj