

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0265-01
Bill No.: SB 44
Subject: Taxation and Revenue – General; Taxation and Revenue – Income; Health Care; Health, Public
Type: Original
Date: February 8, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
General Revenue	(\$46,170)	Up to (\$36,900)	Up to (\$36,900)
Total Estimated Net Effect on General Revenue Fund	(\$46,170)	Up to (\$36,900)	Up to (\$36,900)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials with the **Office of Administration – Division of Budget and Planning (BAP)** assume this legislation provides a deduction from federal adjusted gross income (AGI), up to \$10,000, for the donation of a human organ. The taxpayer receiving the deduction must be living, and the deduction is limited to travel and lodging expenses and lost wages for the donor.

BAP assumes this proposal would have an unknown negative impact on Total State Revenue and General Revenue, but that it would have no fiscal impact on their agency.

Officials with the **Department of Revenue (DOR)** assume that their MINITS system will need to be modified to allow an additional line on form MO-A. It is estimated that it will take four programmers a total of two months (1,384 hours) of programming and testing at a cost of \$46,170.

Documentation will also have to be submitted to DOR by taxpayers claiming the deduction. DOR will have to develop a form similar to the MO-ATC that will need to be submitted with the subtraction, signed by a physician and documenting the actual out-of-pocket expenses incurred. Costs of the form will be minimal. If DOR encounters a need for additional FTE, it will request them and the requisite equipment through the regular budget process.

ASSUMPTION (continued)

Officials with the **Department of Health and Senior Services (DHSS)** assume this proposal reduces the financial disincentives for donors by giving a one-time deduction—not to exceed \$10,000—off federal AGI for non-reimbursed travel/lodging expenses and lost wages. The state tax deduction would be limited to people who have been Missouri residents for the entire year.

DHSS estimates the cost to the state for lost tax revenue to be less than \$36,900 annually. This is based on the annual number of living donors in Missouri (an average of 82.25 living donors per year in the state from 2000 to 2003) and an effective marginal tax rate of 4.5% (82 x \$10,000 x 4.5% = \$36,900). DHSS assumes not all living donors will achieve \$10,000 in non-reimbursed expenses.

DHSS indicated that an increase in the number of donors as a result of this proposal would likely create indirect savings to the state in lieu of reduced public health chronic care expenses for patients awaiting transplants. **Oversight** is unable to quantify any potential increase in donors, and thus cannot credibly estimate any such savings.

Oversight assumes this proposal is effective for tax years beginning on or after January 1, 2006.

This legislation would reduce Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
GENERAL REVENUE			
Cost – Department of Revenue Programming	(\$46,170)	\$0	\$0
Loss – Income Tax Deduction	<u>\$0</u>	<u>Up to (\$36,900)</u>	<u>Up to (\$36,900)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$46,170)</u>	<u>Up to (\$36,900)</u>	<u>Up to (\$36,900)</u>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2006 (10 Mo.)	FY 2007	FY 2008
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

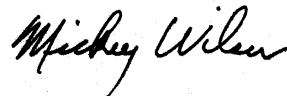
DESCRIPTION

This proposal allows a taxpayer to subtract up to \$10,000 of qualifying expenses and losses from federal adjusted gross income if he or she, while living, donates one or more of his or her human organs to another human being for organ transplantation.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration
Division of Budget and Planning
Department of Revenue
Department of Health and Senior Services



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