

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3392-01
Bill No.: SB 668
Subject: Taxation and Revenue; Health Care; Public Health.
Type: Original
Date: January 5, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	\$0	(\$104,850)	(\$104,850)
Total Estimated Net Effect on General Revenue Fund	\$0	(\$104,850)	(\$104,850)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
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 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** state the volume of filers claiming this subtraction is expected to be less than 100 and therefore can be handled by existing staff.

DOR assumes the legislation will require modifications to individual and corporate income tax systems. Taxation estimates these modifications will require a MINITS programming cost of \$46,170 (1,384 hours). COINS will also need to be modified for a programming cost of \$23,085 (692 hours). DOR proposes to cover these costs with current IT staff. In the event multiple new credits/deductions are passed, this cost could exceed current appropriation levels and result in additional funds being requested.

Documentation will need to be submitted to DOR by the taxpayers to verify the deduction. DOR will develop a form similar to the MO-ATC that will need to be signed by a physician and documenting the actual out of pocket expenses incurred which will then be submitted with the subtraction.

In response to a similar proposal from 2005 (SB44), officials from the **Office of Administration - Budget and Planning** stated the proposal would have an unknown negative impact on Total State Revenue and General Revenue.

ASSUMPTION (continued)

Officials from the **Department of Health and Senior Services (DOH)** estimates a loss in tax revenue of \$104,850. This is based on the average living donors (2000 = 89, 2001 = 93, 2002 = 72, 2003 = 75; Average 82) plus the average cadaveric donors (2000 = 129, 2001 = 140; 2002 = 120; 2003 = 139; Average 132) plus the average marrow donors (2000 = 18, 2003 = 30, 2004 = 10; Average 19) claiming the \$10,000 deduction. The estimate also assumes an effective marginal tax rate of 4.5%. Thus $(82+132+19) \times \$10,000 \times 4.5\% = \$104,850$.

DOH state this proposal is similar to SB 44 from the 2005 Session. DOH states this legislation expands those eligible for the AGI subtraction to include all living and cadaveric donors, in addition to marrow donors, and removes the requirement that the deduction be claimed for unreimbursed expenses. These changes would have additional fiscal impact.

DOH officials state the proposal would have no programmatic effect on the operations of their agency. DOH 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, 2007, therefore the fiscal impact to the state would begin with tax returns filed in January 2008 .

This proposal would reduce Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
GENERAL REVENUE			
<u>Loss – Income Tax Deduction of \$10,000 for donation of human organ(s)</u>	<u>\$0</u>	<u>(\$104,850)</u>	<u>(\$104,850)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>(\$104,850)</u>	<u>(\$104,850)</u>

FISCAL IMPACT - Local Government

FY 2007
(10 Mo.)

FY 2008

FY 2009

\$0

\$0

\$0

FISCAL IMPACT - Small Business

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

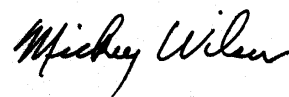
DESCRIPTION

This proposal allows for a ten thousand dollar state income tax deduction to be taken in the taxable year in which an organ donation is made. A taxpayer may only take the deduction for organ donation once. Part-year residents and non-resident individuals are not eligible to receive the tax deduction provided in this proposal.

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

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



Mickey Wilson, CPA
Director
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