

LEGISLATIVE FISCAL OFFICE

Fiscal Note

Fiscal Note On: **SB 26** SLS 05RS 4

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Sub. Bill For.:

Proposed Amd.:

Date: June 21, 2005 **1:19 PM**

Author: MCPHERSON

Dept./Agy.: Revenue

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Subject: Living Organ Donation

TAX/INCOME/PERSONAL

EN -\$124,000 GF RV See Note

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Authorizes a deduction from taxable income of up to \$10,000 of expenses paid by a taxpayer if related to the taxpayer's travel or absence from work related to the taxpayer's or the taxpayer's spouse's living organ donation. (7/1/05)

Proposed legislation authorizes an income tax credit up to \$10,000 for certain expenses related to the taxpayer's or the taxpayer's spouse's living organ donation. Those expenses include: the cost of travel to and from where the donation operation takes place, lodging associated with the donation, and wages or other compensation lost because of the taxpayer's absence from work during the donation procedure and convalescence. Unused credits are to be carried forward to subsequent tax liabilities not to exceed ten years.

Effective July 1, 2005 and applicable to tax years beginning on or after January 1, 2005.

EXPENDITURES	2005-06	2006-07	2007-08	2008-09	2009-10	5 -YEAR TOTAL
State Gen. Fd.	\$7,500	\$0	\$0	\$0	\$0	\$7,500
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$7,500	\$0	\$0	\$0	\$0	\$7,500
REVENUES	2005-06	2006-07	2007-08	2008-09	2009-10	5 -YEAR TOTAL
State Gen. Fd.	(\$124,000)	(\$248,000)	(\$372,000)	(\$496,000)	(\$620,000)	(\$1,860,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	(\$124,000)	(\$248,000)	(\$372,000)	(\$496,000)	(\$620,000)	(\$1,860,000)

EXPENDITURE EXPLANATION

Proposed legislation would require the Louisiana Department of Revenue to modify tax forms and make changes to its tax processing system to accommodate this new credit. Revenue has estimated cost in the first year to be approximately \$7,500. Some of these costs would be attributable to each of the changes to the income tax return that might be enacted this session, and not entirely to just this particular proposal. Costs in the out years is expected to be minimal.

REVENUE EXPLANATION

Under proposed legislation taxpayers would receive a personal income tax credit up to \$10,000 for expenses related to a living organ donation. Those expenses would have to be directly associated with travel, lodging and lost wages or other compensation. According to the Organ Procurement and Transplantation Network, there were 106 living donors in Louisiana in 2004. The number of donors has increased by approximately 8% per year over the last ten years.

The FY 06 maximum exposure to the state would be approximately \$1.15 million (115 donors X \$10,000 of credit). However, even assuming each donor has minimum expenses of \$10,000, very few people will have \$10,000 of annual tax liability to apply this credit against. Utilizing the average tax liability of \$1,074 for the 2003 tax year, these 115 donors would be eligible for \$123,510 of credit. Unused credits would be carried forward to subsequent tax liabilities not to exceed ten years. Thus, each cohort of donors would be taking their total available credit over several years, possibly as many as ten years. In the second year of the bill's effectiveness, that year's cohort of donors would generate some \$124,000 credit that can be taken that year plus the first cohort's unused credit amount carried over from the first year. The net effect of this is an accumulation of credit exposure over several years, possibly over ten years. A rough estimate of that accumulation is shown in the table above.

Senate

Dual Referral Rules

13.5.1 >= \$500,000 Annual Fiscal Cost

13.5.2 >= \$500,000 Annual Tax or Fee Change

House

6.8(F) >= \$500,000 Annual Fiscal Cost

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

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