

SESSION OF 2013

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2386

As Amended by House Committee on Health
and Human Services

Brief*

HB 2386, as amended, would allow certain expenses associated with the donation of one or more human organs, as defined in the bill, to be claimed as a subtraction modification on a taxpayer's tax return beginning with the 2014 taxable year. The subtraction modification for any individual or dependent would be limited to \$5,000. The provisions would take effect on the day the Secretary of Revenue certifies to the Director of the Budget that the cost to the Department of Revenue for modifications to the automated tax system to accomplish the intent of the bill would not exceed \$20,000.

Specifically, the bill would allow a taxpayer or a dependent of a taxpayer to claim unreimbursed travel, lodging, and medical expenses, directly incurred while living, for the donation of one or more human organs by the taxpayer or a dependent of the taxpayer to another person for human organ transplantation. Expenses already subtracted from the taxpayer's federal adjusted gross income could not be claimed as a subtraction modification.

The bill would define "human organ" as all or part of a liver, pancreas, kidney, intestine, lung or bone marrow.

Background

The bill was introduced by the House Committee on Taxation at the request of the National Kidney Foundation and the Midwest Transplant Network.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

Proponents testifying at the House Committee on Health and Human Services included the legislative counsel for the National Kidney Foundation of Kansas and Greater Missouri and the Midwest Transplant Network, a representative of the Kansas Kidney Coalition, and a member of the public who donated an organ. The legislative counsel testified that although any expenses incurred up to \$5,000 would give the donor an income tax deduction, even at the highest income tax rate, the amount deducted by any individual would amount to only \$245. The legislative counsel indicated the bill would be a message of support by the state for live organ donation, more than a financial incentive for a donor to donate their organs. The Kansas Kidney Coalition representative noted approximately 30 to 40 percent of people with end stage renal disease have Medicare and Medicaid, so the cost filters down to the state Medicaid program as a secondary payer, and approximately five to ten percent have Medicaid as their primary insurance making Medicaid the payer of the full treatment cost. The representative stated encouraging kidney transplants results in a direct savings to the state. There was no opponent testimony.

The House Committee on Health and Human Services amended the bill to make the provisions effective on the day the Department of Revenue certifies to the Director of the Budget that the cost to modify the automated tax system for the purpose of implementing the provisions of the bill would not exceed \$20,000.

The fiscal note prepared by the Division of the Budget on the original bill states the Department of Revenue estimates the bill would decrease State General Fund (SGF) revenues by approximately \$12,000 in FY 2015 and in each future fiscal year, but no information exists to accurately estimate the unreimbursed expenditures related to the donation of one or more human organs. The Department of Revenue indicates if 60 taxpayers claim the maximum \$5,000 subtraction modification at an average income tax rate of 4.0 percent, then the SGF revenues would be reduced by

\$12,000. However, the Department notes the fiscal effect on SGF revenues has the potential to be measurably higher or measurably lower depending on the actual number of taxpayers that claim this subtraction modification and the amount of unreimbursed expenses that actually would be claimed as subtraction modification. The Department indicates it would require \$87,700 from SGF to implement this new subtraction modification in FY 2015. Further, the Department states the bill would require \$1,300 to update forms and income tax publications and require modifications to the automated tax system. The required programming for the bill by itself would cost \$83,400 in FY 2015. These costs include 1,896 hours of contract programming time at a total cost of \$56,700 and user testing of 920 hours at a total cost of \$26,700. Any fiscal effect associated with the bill is not reflected in *The FY 2014 Governor's Budget Report*.