

DEPARTMENT OF TAXATION

2006 Fiscal Impact Statement

1. **Patron** Kristen J. Amundson

3. **Committee** House Finance

4. **Title** Individual Income Tax: Deduction for
Recipients of Organ Donations

2. **Bill Number** HB 1489

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill, with the suggested amendments, would create an income tax deduction for individuals who are organ donors for medical expenses that are not covered by insurance and are directly related to the organ donation operation. The amount of the deduction would be the lesser of \$5,000 or the amount actually paid during the taxable year for the medical expenses.

This bill would be effective for taxable years beginning on or after January 1, 2007.

6. Fiscal Impact Estimates are: Preliminary. (See Line 8.)

7. Budget amendment necessary: No.

8. Fiscal implications:

TAX has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to our systems and forms. As stand-alone legislation, TAX considers implementation of this bill as "routine," and does not require additional funding.

TAX will provide specific administrative costs on any legislation that is not "routine." Additionally, TAX will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that additional resources will be required. If so, TAX will identify the costs at that time.

The magnitude of the revenue loss associated this bill is unknown. According to the Organ Procurement and Transplant Network, there were 283 organ donors in Virginia in 2004. If all of these donors were eligible for the full \$5,000 deduction and if they were all subject to the 5.75% income tax rate, the total amount of the revenue loss would have been \$81,362. It is likely that the total amount of revenue loss associated with this deduction would be lower, as some taxpayers would be in a lower tax bracket or would claim the federal medical expenses deduction.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: Yes.

The Department understands that it was the patron's intent to allow an income tax deduction to the organ donor, not to the transplant recipient. In order to reflect this in the bill, the following technical amendment is suggested:

Page 5, Line 264, after who was
Strike: a transplant recipient of an organ donation
Insert: an organ donor

Page 5, Line 266, after related to the
Strike: transplant
Insert: organ donation

11. Other comments:

Federal Medical and Dental Expenses Deduction

Currently, if a taxpayer itemizes his deductions on his federal income tax return, the taxpayer may claim a deduction for the amount of medical and dental expenses that is greater than 7.5% of his federal adjusted gross income. Generally, taxpayers may take into account medical expenses paid for themselves as well as those paid for someone who was either a spouse or a dependent when the medical services were paid for or provided. Because Virginia is a conformity state, this federal deduction would also flow through to the Virginia income tax return.

Proposal

This bill would create an income tax deduction for individuals who are organ donors for medical expenses that are not covered by insurance and are directly related to the organ donation operation. The amount of the deduction would be the lesser of \$5,000 or the amount actually paid during the taxable year for the medical expenses.

The individual would not be allowed to claim this deduction if the individual claimed an itemized deduction for the same medical expenses on the individual's federal return.

This bill would be effective for taxable years beginning on or after January 1, 2007.

Other Legislation

House Bill 1446 would create a deduction for the first \$10,000 of income earned by licensed medical caregivers who provide medical care to individuals in the homes of such individuals.

House Bill 1449 would create a tax credit for certain individuals who pay for a family member's in-home health care expenses.

cc : Secretary of Finance

Date: 02/02/2006 AMS
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