

- The tax deduction for living donors and tax credit for deceased donors are estimated to reduce income tax revenues by approximately \$291,000 in FY 2008, based on 2006 organ donation levels in Ohio.
 - The losses to the local government funds are calculated on the basis of the Revised Code formula for distributing income tax revenue. The Library and Local Government Support Fund (LLGSF) receives 5.7%, the Local Government Fund (LGF) receives 4.2%, and the Local Government Revenue Assistance Fund (LGRAAF) receives 0.6% of income tax revenue.
 - School district income tax revenues would be reduced due to a reduction in the tax base. The tax base would be reduced by the deduction for qualified organ donation expenses.
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Detailed Fiscal Analysis

H.B. 25 would establish an income tax deduction for qualified organ donation expenses up to \$10,000, and would establish a \$500 tax credit for taxpayers who died during a tax year and donated an organ following death. The qualified organ donation expenses for which a deduction would be allowable are defined to be travel and lodging expenses and foregone wages. To be eligible for the tax deduction, the expenses must not have been otherwise compensated for by any other source. The tax credit is a refundable credit.

According to Organ Procurement and Transplantation Network, there were 657 organ donations in Ohio during 2006. Of these 657 donations, 369 were made by living donors and 288 were made by deceased donors.

Based on 2006 donor levels, the refundable tax credit for deceased organ donors would reduce revenues under the income tax by \$144,000 ($288 \times \$500 = \$144,000$), assuming that all eligible donors take full advantage of the tax credit. Similarly, based on 2006 donor levels, and assuming the average donor has a federal adjusted gross income (FAGI) of \$55,338 and an average personal income tax liability of \$1,787,¹ the tax liability for each of the 369 living donors would have been reduced by an estimated \$398.² The estimated revenue loss from the deduction would therefore be approximately \$147,000 ($369 \times \$398 = \$146,987$), assuming that all 369 eligible donors take full advantage of the tax deduction.

Adding the revenue losses from the two tax provisions yields a total estimated revenue loss of approximately \$291,000. To the extent that the bill would successfully encourage Ohio taxpayers to donate organs, actual revenue losses would be greater than this estimate. The revenue loss would be shared by the GRF and the local government funds according to the Revised Code formula for distributing the income tax revenue. The statutory distribution of receipts from the income tax is as follows: 89.5% to the GRF, 5.7% to the Library and Local Government Support Fund, 4.2% to the

¹ These figures were based on average taxpayer FAGI and tax liability for taxable year 2004.

² The effective tax rate in this bracket was approximately 3.00% in taxable year 2004.

Local Government Fund, and 0.6% to the Local Government Revenue Assistance Fund. The income tax rate reductions scheduled for tax years 2007 through 2009 will act to reduce any revenue losses from the deduction.

The tax deduction for qualified organ donation expenses would also reduce the tax base for school district income taxes. The revenue loss for each deduction claimed would depend on the school district in which the donor resides, the school district income tax rate for that district, and the value of deduction claimed. If a donor were in a district without a school district income tax, there would be no revenue loss due to that donor's deduction. If all 369 donors were living in districts without a school district income tax, then there would be no statewide revenue loss. If all 369 donors were from school districts that levy a school district income tax at the current maximum rate of 2%³ and took the full \$10,000 deduction, then the statewide revenue loss would be \$73,800 ($369 \times \$10,000 \times 2\% = \$73,800$).

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³ There is no rate limit. The only stipulation by law is that the rate must be in increments of a quarter percent (0.25%). Currently, the minimum rate levied by a school district is 0.50%, the maximum rate is 2.00%, the median rate is 1.00%, and the most frequently charged rate is 1.00%.