

**Department of Legislative Services**  
Maryland General Assembly  
2005 Session

**FISCAL AND POLICY NOTE**

Senate Bill 443 (Senators Hollinger and Green)  
Budget and Taxation

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**Income Tax - Subtraction Modification for Living Organ Donors**

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This bill creates a subtraction modification under the State income tax for qualified expenses incurred by a living organ donor. The amount of the subtraction modification cannot exceed \$10,000.

The bill takes effect July 1, 2005 and applies to tax year 2005 and beyond.

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**Fiscal Summary**

**State Effect:** The extent of any general fund revenue loss depends on several unknown factors, including the number of living organ donors, the eligible expenses incurred by these individuals, and the amount by which these expenses are otherwise reimbursed. Under one set of assumptions, general fund revenues could decrease by approximately \$64,000 annually beginning in FY 2006.

**Local Effect:** Based on the assumptions above, local government revenues could decrease by \$41,800 annually beginning in FY 2006.

**Small Business Effect:** None.

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**Analysis**

**Bill Summary:** Individuals who donate all or part of the individual's liver, pancreas, kidney, intestine, lung, or bone marrow for transplant in another individual can qualify for the subtraction modification. Eligible expenses include unreimbursed travel and

lodging expenses and lost wages. An individual is eligible to claim the subtraction modification if the individual's dependent donated the qualified organs.

**Current Law:** No such State subtraction modification exists.

**Background:** Exhibit 1 lists the current organ donor waiting list in Maryland.

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**Exhibit 1**  
**Current Organ Donor Waiting List**

<u>All Organs</u>	<u>Kidney</u>	<u>Liver</u>	<u>Pancreas</u>	<u>Kidney/ Pancreas</u>	<u>Heart</u>	<u>Lung</u>	<u>Heart/ Lung</u>
2,368	1,572	484	67	79	71	166	6

Source: Organ Procurement and Transplantation Network

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In 2004, 261 organs were donated in Maryland: 86 from deceased individuals and 175 from living donors. Of the 175 organs transplanted from living donors, 174 were kidneys and 1 was a liver. Nationwide, approximately 92% of all living liver and kidney donors as of 1999 were either relatives or the spouse of the organ recipient. There are a total of 2,063 Maryland living organ donors since 1988. The organs donated were: kidneys (1,970), liver (91), pancreas (1), and lung (1).

According to Milliman USA, there were an estimated 17,160 bone marrow transplants in 2002; 61% of these transplants were autologous transplants (from within the same individuals, 29% were allogeneic related (usually a relative), and 10% were allogeneic unrelated. Since its first successful use in 1968, bone marrow transplants have been used to treat patients diagnosed with leukemia, aplastic anemia, lymphomas such as Hodgkin's disease, multiple myeloma, immune deficiency disorders and some solid tumors such as breast and ovarian cancer. Donors who are not also the recipient are usually discharged after an overnight stay and can fully resume normal activities in a few days.

Wisconsin enacted legislation in 2003 that authorized a \$10,000 deduction for individuals who donate organs. The provisions of SB 443 are very similar to the Wisconsin law. State officials estimate that the Wisconsin deduction will reduce tax revenues by approximately \$115,000 annually. Although not a tax benefit program for living organ donors, since 1987 Rhode Island's Organ Transplant Fund has supplemented certain costs of organ transplants not covered by insurers. Subject to an income phase-out, a transplant

recipient can receive funds for insurance deductibles, medication expenses, and out-of-State living expenses for up to 60 days for eligible family members.

Chapter 221 of 2000 provides that a State employee may request up to 7 days of organ donation leave in any 12-month period to serve as a bone marrow donor and up to 30 days of organ donation leave in any 12-month period to serve as an organ donor.

**State Revenues:** The actual cost of the bill, which cannot be reliably estimated, depends on the number of living organ donors, the amount of eligible expenses incurred by these individuals, and the amount of these expenses that are reimbursed by insurance companies or otherwise. **Exhibit 2** lists the estimated State and local fiscal effect of the bill depending on the amount of eligible expenses claimed per living organ donor.

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**Exhibit 2**  
**Fiscal Impact SB 443**

<u>Amount Claimed Per Organ Donor</u>	<u>GF Revenue Loss</u>	<u>Local Income Tax Revenue Loss</u>	<u>State and Local Tax Benefit per donor</u>
\$2,000	\$32,020	\$20,897	\$157
4,000	64,039	41,794	314
6,000	96,059	62,691	471
8,000	128,078	83,588	628
10,000	160,098	104,485	785

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This estimate is based on 337 living organ donators annually; 203 organ donors and 134 bone marrow donors. This estimate is based on the following facts and assumptions:

- According to the Organ Procurement and Transplantation Network there were on average 203 living organ donors in Maryland in the last 5 years.
- It is assumed that Maryland living donors will donate annually 2% of the 6,692 allogeneic bone marrow transplants estimated to occur in 2002.

The average amount of subtraction modifications claimed per eligible individual cannot be reliably estimated at the time. It is expected that the amounts claimed by bone marrow donors would be significantly less than organ donors. Further, the amount of expenses that would be reimbursed and not eligible for the subtraction modification cannot be reliably estimated. Both the Maryland Insurance Administration and CareFirst advise

that donor travel and lodging expenses could be covered by health insurance, but it depends on the health coverage of the recipient and donor. Lost wages are typically not reimbursed.

**Local Revenues:** Local government revenues would decrease by approximately 3.1% of the total State subtraction modification taken in each tax year. Exhibit 2 lists the estimated local revenue loss of the bill depending on the amount of qualifying expenses claimed per living organ donor.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Comptroller's Office, Milliman USA, Organ Procurement and Transplantation Network, Rhode Island Department of Human Services, Department of Legislative Services

**Fiscal Note History:** First Reader - March 6, 2005  
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