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FISCAL IMPACT REPORT

SPONSOR Park DATE TYPED 01/27/05 HB 105

SHORT TITLE Income Tax Deduction For Organ Donation SB _____

ANALYST Padilla-Jackson

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
(\$5.0)	(\$25.0)		Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department

SUMMARY

Synopsis of Bill

House Bill 105 provides a tax deduction against net income for expenses related to donating human organs to another person. Eligible expenses include lost wages, lodging expenses, and travel expenses. Taxpayers whose dependents donate organs would also qualify for the tax deduction. The tax deduction is not to exceed \$10,000 in a taxable year.

The provisions of this bill would be applicable to taxable years beginning on or after January 1, 2005.

FISCAL IMPLICATIONS

The fiscal impact provided by TRD is -\$5.0 in FY05 and -\$25.0 in FY06. Research information provided by TRD suggests that the total impact of the income tax deduction proposed in House Bill 105 may be fairly minimal. According to an article published by Stateline.org on similar legislation recently enacted in Wisconsin, only about 7,000 organ donations are provided by living donors annually in the United States. TRD notes that since New Mexico's population represents approximately 0.64 percent of the 290 million U.S. total, the number of live organ donors

in this state is likely to be in the range of 45 (.64 percent multiplied by 7,000). Moreover, TRD noted that only about 40 percent of New Mexico's personal income taxpayers possess sufficient income to qualify for the full amount of the deduction, and the deduction would provide relief totaling the product of their personal income tax rate and the amount of the deduction. Hence assuming an average income tax rate of 5 percent multiplied by the maximum deduction of \$10,000 suggests an average benefit of \$500 per donor. This figure multiplied by 50 donors suggests a full-year revenue impact of approximately \$25,000. This number is expected to diminish as the interest tax rate reductions continue through tax year 2007 occur. For FY05, the lower estimate reflects payments for the first six months of tax year 2005 only, or approximately 20 percent of the full-year effect.

ADMINISTRATIVE IMPLICATIONS

Cost to TRD of administering the proposed measure would reportedly be relatively minor as the bill provisions could be administered with resources currently available to the Department.

OPJ/lg