

STATE OF WISCONSIN
REPORT OF THE JOINT SURVEY COMMITTEE ON TAX EXEMPTIONS

2003 ASSEMBLY BILL 477

[Introduced by Representatives Wieckert, Gundrum, Rhoades, Jeskewitz, Pocan, Townsend, Berceau, Nass, M. Lehman, Staskunas, J. Lehman, Ott, Taylor, Gunderson, Coggs, Gronemus, Krawczyk, Ladwig, Lothian, Freese, Hundertmark, Vrakas, McCormick, Wasserman, Van Roy, Miller, Schneider, Hines and LeMahieu, cosponsored by Senators Roessler, Darling, Schultz, Risser, M. Meyer, Stepp and Kanavas.]

General Nature of Proposal

Assembly Bill 477 creates an individual income tax deduction for certain expenses incurred in the donation of one or more of certain human organs. Under the bill, an individual may subtract up to \$10,000 from his or her federal adjusted gross income if he or she, while living, donates one or more human organs for a human transplantation.

For purposes of the bill, a "human organ" means all or part of a liver, pancreas, kidney, intestine, lung, or bone marrow. The deduction may only be claimed for the following expenses related to the person's organ donation: (1) travel expenses; (2) lodging expenses; (3) lost wages.

Under the bill, the deduction may not be claimed by part-year residents or nonresidents.

The bill would first apply to tax years beginning January 1 of the year in which the bill becomes law, except it would first apply to the next January 1 if the bill becomes law after July 31.

Legality Involved

There are no issues of legality involved.

Fiscal Effect Upon the State and Its Subdivisions

The Department of Revenue has explained the fiscal effect of the bill as follows:

Under this bill, an individual who, while living, donates one or more of his or her human organs to another human being for human organ transplantation may subtract \$10,000 from federal adjusted gross income in the year in which the transplant occurs. The subtraction modification may only be claimed for travel expenses, lodging expenses, and lost wages that are incurred by the claimant and related to his or her organ donation. The subtraction modification is not available to nonresidents and part-time residents of Wisconsin and may only be claimed once. For purposes of this bill, a "human organ" is defined as a liver, pancreas, kidney, intestines, lung, and bone marrow.

According to the United Network for Organ Sharing, there were 213 living organ donors in Wisconsin in 2002--207 kidney and six liver transplants. According to Living Donors Online, live kidney donors miss an average of 34 workdays as a result of the transplant; liver donors miss 37 workdays. Assuming the 2001 average hourly Wisconsin wage of \$15.16 found on the Bureau of Labor Statistics website, kidney donors lose an average of \$4,124 and liver donors lose an average of \$4,246 in wages as a result of the transplant. This number may be understated as it only accounts for missed workdays as a result of the actual surgery and post-surgery recovery period. The distance that each donor travels to the transplant center is unknown and therefore the amount of traveling and lodging expenses per donor is indeterminate.

Assuming all 213 donors file income tax returns, traveling and lodging expenses and additional wages lost total at least \$6,000, so that the maximum \$10,000 subtraction is claimed, and assuming an effective marginal tax rate of 5.5%, this bill would decrease state income tax revenues by about \$115,000 ($213 \times \$10,000 \times 5.5\%$).

Public Policy Involved

The bill is good public policy.