

March 7, 2013

The Honorable David Crum, Chairperson
House Committee on Health and Human Services
Statehouse, Room 512-N
Topeka, Kansas 66612

Dear Representative Crum:

SUBJECT: Fiscal Note for HB 2386 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2386 is respectfully submitted to your committee.

Calculations for Kansas income taxes are based on the Kansas adjusted gross income, which is calculated by adding or subtracting certain types of income from the amount of federal adjusted gross income. HB 2386 would allow a subtraction modification for the unreimbursed expenditures related to the donation, while living, of one or more human organs of the taxpayer or dependent of the taxpayer to another person for human organ transplantation. The amount of the subtraction modification could not exceed \$5,000. The bill defines "human organ" as all or part of a liver, pancreas, kidney, intestine, lung, or bone marrow. The subtraction modification would be available to taxpayers beginning in tax year 2014.

The Department of Revenue estimates that HB 2386 would decrease State General Fund revenues by approximately \$12,000 in FY 2015 and in each future fiscal year. The Department of Revenue indicates that no information exists to accurately estimate the unreimbursed expenditures related to the donation of one or more human organs. The Department indicates that if 60 taxpayers claim the maximum \$5,000 subtraction modification at an average income tax rate of 4.0 percent, then State General Fund revenues would be reduced by \$12,000. However, the fiscal effect on State General Fund revenues has the potential to be measurably higher or measurably lower depending on the actual number of taxpayers that claim this subtraction modification and the amount of unreimbursed expenses that would actually be claimed as a subtraction modification.

The Department of Revenue indicates it would require \$87,700 from the State General Fund to implement this new subtraction modification in FY 2015. The Department indicates it would require \$1,300 to update forms and income tax publications. This bill would require

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modifications to the automated tax system. The required programming for this bill by itself would cost \$83,400 in FY 2015. These costs include 1,896 hours of contract programming time at a total cost of \$56,700 and user testing of 920 hours at a total cost of \$26,700. Any fiscal effect associated with HB 2386 is not reflected in *The FY 2014 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", with a long horizontal flourish extending to the right.

Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Steve Neske, Revenue