

**COMMONWEALTH OF KENTUCKY STATE FISCAL NOTE STATEMENT
LEGISLATIVE RESEARCH COMMISSION
2016 REGULAR SESSION**

MEASURE

2016 BR NUMBER **0147**

HOUSE BILL NUMBER **19**

RESOLUTION NUMBER _____

AMENDMENT NUMBER _____

SUBJECT/TITLE AN ACT relating to the promotion of organ and bone marrow donation.

SPONSOR Representative Crimm

NOTE SUMMARY

FISCAL ANALYSIS: IMPACT NO IMPACT INDETERMINABLE IMPACT

LEVEL(S) OF IMPACT: STATE LOCAL FEDERAL

BUDGET UNIT(S) IMPACT: **Finance and Administration Cabinet – Department of Revenue**

FUND(S) IMPACT: GENERAL ROAD FEDERAL RESTRICTED AGENCY _____ OTHER

FISCAL SUMMARY

FISCAL ESTIMATES	2015-2016	2016-2017	2017-2018	ANNUAL IMPACT AT FULL IMPLEMENTATION
REVENUES		(Minimal)	(Minimal)	(Minimal) beginning in FY 2017-2018 through FY 2020-2021
EXPENDITURES		\$100,000	Minimal	Minimal beginning in FY 2017-2018 through FY 2020-2021
NET EFFECT		≥(\$100,000)	(Minimal)	(Minimal) beginning in FY 2017-2018 through FY 2020-2021

() indicates a decrease/negative

MEASURE’S PURPOSE: HB 19 seeks to promote increased living organ and bone marrow donations by Kentucky residents by providing a tax credit for employers who allow their Kentucky resident employees a paid leave of absence during the time they donate an organ or bone marrow.

PROVISIONS/MECHANICS: The bill creates a new section of KRS Chapter 141 to permit a nonrefundable tax credit against insurance company, bank franchise, and income taxes for employers that provide a Kentucky resident employee with a paid leave of absence to make a donation, for taxable years beginning on or after Jan. 1, 2017, but before January 1, 2021, with a 3 year carry-forward. The credit amount would equal the compensation paid to the employee, along with the cost of any temporary help procured by the employer during the leave of absence, and any other expenses allowed by administrative regulation.

FISCAL EXPLANATION: HB 19 would have a negative fiscal impact on the general fund. It is impossible to estimate the precise degree of impact, due to the lack of available data regarding each of the factors that would determine the credit amount, however it is expected to be minimal for the reasons explained below.

Overall comparisons can be made between the possible impact of this credit with the actual experience of a similar credit in another state. This proposal is closely modeled after a credit enacted by the Pennsylvania General Assembly in 2006, which was available to employers in that Commonwealth from tax years beginning in 2006 through 2010, and which was re-enacted in 2014.

According to the Pennsylvania Office of the Budget's tax expenditure analyses for fiscal years 2008 through 2013, and fiscal year 2017, the initial impact estimate made upon enactment of the credit was approximately \$2.38 million in annual reduced revenues. However, two years into the availability period, the analysis changed to reflect that a minimal number of taxpayers were benefitting from the credit, causing the estimated impact to be reduced to nominal. In years since, the utilization of that credit has remained nominal, with only 3 taxpayers claiming the credit over the initial 4-year period of availability for a total of \$3,505. It should be noted that the parameters of the Pennsylvania credit are substantially the same as the credit proposed in HB 19, and that the population of that state is approximately 3 times that of Kentucky. Therefore, staff estimates that the revenue impact of the credit permitted by HB 19 would also be minimal.

As with the creation of any new income tax credit, the Department of Revenue will incur administrative expenses to implement the credit including computer programming costs, creation of new forms, etc. These costs are estimated to equal up to \$100,000, which would have to be absorbed into the agency's existing budget. Additional ongoing administrative expenses relating to reviewing and approving credit applications, and tracking credits claimed, will also be incurred. These ongoing expenses are expected to be minimal, and are of a type common to many of the tax credit programs.

DATA SOURCE(S): Pennsylvania Office of the Budget; Department of Revenue; LRC staff
PREPARER: Eric Kennedy **NOTE NUMBER:** 124 **REVIEW:** JRS **DATE:** 3/7/2016