

SUMMARY OF PROPOSAL #25
for consideration by the
ARKANSAS TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE

TOPIC: Repeal of Organ Donor Donation Income Tax Deduction

Summary of Proposal for Consideration

To repeal the income tax deduction for living human organ donations under Arkansas Code § 26-51-2103, effective for tax years beginning January 1, 2019.

Fiscal Analysis

Repeal of the income tax deduction for living human organ donations may result in a five thousand dollar (\$5,000) per year increase to general revenue based upon figures from FY16, as provided by the Department of Finance and Administration’s “Individual & Corporate Income Tax Revenue Impact of Exemptions” presentation to the Arkansas Tax Reform and Relief Legislative Task Force on April 26, 2018. Due to the nature of this income tax deduction, the amount of revenue increase per year will vary depending on the number of individuals who take the deduction.

Legal Analysis

Background

Arkansas currently allows for an income tax deduction of up to ten thousand dollars (\$10,000) for living human organ donations. The deduction may be claimed only for the unreimbursed expenses for travel, lodging, lost wages, and medical expenses incurred by the taxpayer or the taxpayer’s dependent that are related to the living human organ donation of the taxpayer or the taxpayer’s dependent.

ACT 668 of 2005 created the organ donation income tax deduction and has not been amended since.

Potential Legal Issues

None.

Other States

- Iowa: Iowa provides a tax deduction of up to ten thousand dollars (\$10,000) for the unreimbursed expenses for travel, lodging, and lost wages of the taxpayer related to the taxpayer’s living human organ donation. (IA St. § 422.7)
- Louisiana: Louisiana does not provide a tax deduction for living human organ donation. Instead, Louisiana provides a tax credit of up to seven thousand two hundred dollars (\$7,200) for seventy-two percent (72%) of the unreimbursed

travel, lodging, and lost wages of a taxpayer related to the taxpayer's living human organ donation. (LA St. §47:297).

- Mississippi: Mississippi provides a tax deduction of up to ten thousand dollars (\$10,000) for the unreimbursed expenses for travel, lodging, and lost wages of the taxpayer related to the taxpayer's living human organ donation. (MS St. §27- 7-18)
- Missouri: Does not have a deduction or tax credit for living human organ donation.
- Oklahoma: Oklahoma provides a tax deduction of up to ten thousand dollars (\$10,000) for the unreimbursed expenses of the taxpayer or the taxpayer's dependent related to the living human organ donation of the taxpayer or the taxpayer's dependent. (OK St. 68 § 2358)
- Tennessee: Does not have a similar deduction or credit. Tennessee taxes only interest and dividend income.
- Texas: Does not have income tax.