DOAA
Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

December 8, 2021

Honorable John Albers
Chairman, Senate Public Safety
421-C State Capitol
Atlanta, GA 30334

SUBJECT: Fiscal Note
Senate Bill (LC 43 2085)

Dear Chairman Albers:

The bill has two revenue-impacting provisions. It would amend the existing income tax deduction for organ donation expenses to replace the deduction of qualifying expenses, up to a $10,000 cap, with a flat $25,000 deduction in the year of the organ donation. The bill would also create a new income tax credit for employers that provide paid leave to organ donors who qualify. The new credit is worth up to $300 per day of paid leave, or the employee's actual wages, whichever is less. The credit is capped at 30 days of leave per employee and $54,000 annually per employer. The revenue-impacting provisions of the bill would become effective for tax years beginning on or after January 1, 2023.

Impact on State Revenue

Georgia State University's Fiscal Research Center (FRC) estimated that the bill would decrease state revenue by $1.4 million in FY 2024, with the loss slightly increasing in subsequent years (Table 1). The appendix provides details of the analysis.

Table 1. State Revenue Effects of LC 43 2085

($ *millions*)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Individual Deduction	-	($0.2)	($0.2)	($0.2)	($0.2)
Employer Credit	-	($1.2)	($1.3)	($1.4)	($1.5)
Total	-	($1.4)	($1.5)	($1.6)	($1.7)

The estimate does not include additional taxes that could be paid resulting from the leave provision. To the extent that donors are not already taking paid leave during their recovery, the qualifying paid leave in the bill would increase their taxable income. If 100 percent of the qualifying paid leave is taxable to the donors at the top tax rate of 5.75 percent, the state revenue effect would be reduced by about $0.07 million in FY 2024, rising to $0.09 million in FY 2027.

Impact on State Expenditures

The Department of Revenue (DOR) anticipates that it would be able to implement the provisions of the bill with existing resources.

Respectfully,

Greg S. Griffin
State Auditor

Kelly Farr, Director
Office of Planning and Budget

GSG/KF/mt

Analysis by the Fiscal Research Center

The proposed bill would make two revenue-impacting changes to the state income tax code. The first of these is the replacement of the existing organ donor expense deduction with a deduction that is not tied to the amount of expenses incurred. The second would create a new tax credit for employers that provide paid leave to organ donors. Both provisions would be effective for tax years beginning on or after January 1, 2023.

Organ Donor Deduction
Under current law, O.C.G.A. §48-7-27(13) donors may deduct up to $10 thousand of unreimbursed expenses for travel, lodging, and lost wages incurred as a direct result of organ or bone marrow donation. Under the proposed bill, donors would instead be allowed a flat, $25 thousand deduction without regards to actual expenses incurred.

Based on tax return data provided by the Department of Revenue (DOR), about 277 returns per year claimed deductions averaging about $2.5 thousand each on average over tax years 2018 and 2019. Tax savings from this deduction is estimated to have been about $34 thousand in total each year, on average.

Simulations using 2019 tax return data suggest that, had each of these taxpayers been allowed a $25 thousand deduction instead of their actual expenses, their taxable incomes would have been reduced by about $11.6 thousand each (because taxable income cannot be reduced below zero), saving them $561 in income tax each, on average. The state revenue loss would have been about $163 thousand larger. Projecting the number of donors forward as described in the next section of this note and assuming income growth so as to allow the average value of the deduction (i.e., the amount of the deduction that can be utilized) to grow as well, and then converting from tax to fiscal years, the state revenue loss from this expanded deduction is as shown in Table 1.

Employer Credit for Organ Donor Paid Leave
To qualify for the employer credit, donor employees receiving paid leave must have worked for their employer for at least one year and must have donated qualifying organs or bone marrow in a manner prescribed by the National Organ Procurement Act. The credit is equal to the amount paid to the employee, up to $300 per day, and is capped at 30 days of leave per employee and $54,000 in total per year per employer. Credits are nonrefundable, but unutilized credits may be carried forward for up to three years.

The following reported facts and assumptions were used in estimating the number of employee donors that would qualify for paid leave each year, if offered by their employer:

- According to the Organ Procurement and Transplant Network, which maintains the federal organ donor registry, 136 living Georgia residents donated organs in 2021 through Sept. 30. Extrapolating to a full calendar year, this figure implies 181 organ donations this year, not including bone marrow.
- A separate federal registry, the Hematopoietic Cell Transplant (HCT) Activity Report, tracks bone marrow donations. In 2019, there were 799 total HCTs in Georgia. Nationally, bone marrow transplants account for 9 percent of HCTs, which translates to an estimated 74 in Georgia in 2019.
- From 2011 to 2019, living organ donations grew by about 5 percent annually, on average, before dipping during the pandemic. This fiscal note assumes that, following a rebound in 2022 to around 2018 numbers, the pre-pandemic average growth rate will continue through the forecast period. This note also assumes bone marrow donations will grow at about the same rate as that of organs.
- Finally, the estimated number of donors was reduced to adjust for those who cannot receive paid leave because they are not in the workforce. From 2015 to 2019, the labor force participation rate was 75.1 percent for Georgia residents ages 16 to 54 – the age of most living organ donors.

Next, this analysis calculated the average employer credit per day of paid leave. The bill sets the credit at $300 a day or the employee's actual wages, whichever is lower. According to the Bureau of Labor Statistics, Georgia workers made a mean wage of $24.97 in May 2020. Wages in Georgia have grown by 3.6 percent annually from 2018 to 2021, according to the Atlanta Federal Reserve. This estimate assumes that this growth rate will continue in the forecast period.

Relying on the assumptions above, Table 2 shows the estimated number of employee donors and the estimated credit value per day of leave.

Table 2. Estimated Organ Donations by Employees

	TY 2023	TY 2024	TY 2025	TY 2026	TY 2027
Living donor transplants	301	317	333	351	369
Employee donors					
Organs	166	174	183	193	203
Bone marrow	61	64	67	71	74
Mean hourly wages	$27.75	$28.74	$29.77	$30.84	$31.94
Employer credit per day	$222	$230	$238	$247	$256

It is unclear how many employers would provide paid leave under this provision, and how many days would be provided. Although recovery time varies by person and by procedure, most organ donors can typically return to work within six weeks, according to the United Network for Organ Sharing. According to Be The Match, a bone marrow transplantation research group, bone marrow donors can typically return to work within 1 to 7 days. Therefore, this analysis assumes that employee organ donors would receive the full 30 days of leave allowed under state law, while bone marrow donors would receive 5 days of paid leave on average. Table 3 presents the total tax credits that would be generated under these assumptions.

Table 3. Estimated Employer Tax Credits

($ *millions*)	TY 2023	TY 2024	TY 2025	TY 2026	TY 2027
Credits					
Organs (30 days)	$1.10	$1.20	$1.31	$1.43	$1.55
Bone marrow (10 days)	$0.07	$0.07	$0.08	$0.09	$0.09

In the cases of both the deduction and the credit, the taxpayer is assumed to realize the tax savings in the fiscal year beginning July 1 of the given tax year.