

Legislative Analysis



LIVE ORGAN DONATION TAX CREDIT

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 4361 (S-1) as passed by the Senate

Sponsor: Rep. Felicia Brabec

1st House Committee: Health Policy

2nd House Committee: Tax Policy

Senate Committee: Appropriations

Complete to 11-7-24

Analysis available at
<http://www.legislature.mi.gov>

(Enacted as Public Act 156 of 2024)

SUMMARY:

House Bill 4361 would amend the Income Tax Act to create a one-time tax credit for *live organ donation expenses*. The credit would be available for tax years beginning on or after January 1, 2025, and would be worth the lesser of \$10,000 or the live organ donation expenses incurred during the tax year. The credit would be nonrefundable.

Taxpayers would be able to claim the credit for expenses incurred during the tax year before, tax year of, or tax year after the organ donation. In order to claim the credit, the bill would require taxpayers to submit verification, in a form and manner prescribed by the Department of Treasury, of the live organ donation with the tax return in which the claim the credit. The department would also be able to require taxpayers to submit reasonable proof of the live organ donation expenses claimed.

Live organ donation expenses would mean the total amount of expenses incurred by a taxpayer that are directly related to a *live organ donation* by the taxpayer or another individual the taxpayer is allowed to claim as a dependent under the Income Tax Act and that are not reimbursed to that taxpayer by any person. They would include, but not be limited to, travel expenses, lodging expenses, lost wages, *child care expenses*, and other expenses as may be defined by rule by the Department of Treasury.

Live organ donation would mean that an individual who is living donates one or more of their *human organs* to another human to be transplanted to the other human's body through a medical procedure.

Human organ would mean the human kidney, liver, heart, lung, pancreas, intestine, bone marrow, cornea, eye, bone, skin, cartilage, dura mater, ligaments, tendons, fascia, pituitary gland, and middle ear structures and any other human organ specified by rule by the Department of Health and Human Services (DHHS). However, the term would not include whole blood, blood plasma, blood products, blood derivatives, other self-replicating body fluids, or human hair.

Child care expenses would mean employment-related expenses as defined under section 21 of the Internal Revenue Code.¹

Proposed MCL 206.280

¹ <https://www.law.cornell.edu/uscode/text/26/21>

BRIEF DISCUSSION:

According to committee testimony, there are more than 2,000 Michigan residents currently waiting for organ donations, the majority of whom require kidneys. Supporters of the bill argue that one of the major barriers to increasing live organ donations is being able to handle the costs, such as lost wages, associated with undergoing the procedure to donate an organ. They contend that the bill will help increase donations and save lives by lowering this hurdle for potential donors.

FISCAL IMPACT:

The bill would potentially reduce individual income tax revenue, albeit by a small amount. Based on data from the Organ Procurement and Transplant Network for Michigan, the state of Michigan averaged approximately 210 live organ donations in the five years preceding the pandemic. For context, a full \$10,000 credit would reduce income tax revenue by about \$2.0 million. However, based on the state of Michigan median income and the nonrefundable nature of the tax credit, it is likely that only a fraction of the individuals providing live organ donation would be eligible for the full credit. It is estimated that the bill would reduce income tax revenue by between \$500,000 and \$750,000. Almost all of the impact would be borne by the general fund, as the credit affects income tax refunds.

POSITIONS:

Representatives of the following entities testified in support of the bill (3-6-24):

- American Kidney Fund
- National Kidney Foundation

The following entities indicated support for the bill (3-6-24):

- Department of Treasury (if funded)
- Michigan Medicine
- National Kidney Foundation of Michigan
- Blue Cross Blue Shield of Michigan

Legislative Analyst: Alex Stegbauer
Fiscal Analyst: Ben Gielczyk

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.