

MINNESOTA • REVENUE

SALES AND USE TAX Medical Devices Insurance Purchases

March 15, 2011

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 677 (Howe) As Proposed to be Amended

	<u>Fund Impact</u>			
	<u>F.Y. 2012</u>	<u>F.Y. 2013</u>	<u>F.Y. 2014</u>	<u>F.Y. 2015</u>
	(000's)			
General Fund (6.5%)	(\$14,400)	(\$4,800)	(\$5,000)	(\$5,200)
Natural Resources and Arts Funds (0.375%)	(\$760)	(\$270)	(\$290)	(\$300)
Total – All Funds	(\$15,160)	(\$5,070)	(\$5,290)	(\$5,500)

Effective retroactively for sales and purchases made after April 1, 2009.

EXPLANATION OF THE BILL

Current Law: Minnesota currently exempts from the sales and use tax drugs, prosthetic devices, durable medical equipment for home use, mobility enhancing equipment, prescription corrective eyeglasses, oxygen, insulin, and kidney dialysis equipment. Single use finger-pricking devices for the extraction of blood and other single-use devices and single use diagnostic agents used in diagnosing, monitoring, or treating diabetes are also exempt. These items are exempt regardless of who purchases these items.

Proposed Law: The bill would expand the exemption for medical devices to include all items purchased in transactions covered by Medicare, Medicaid, and other health plans. The definition of durable medical equipment would be expanded to include all accessories and supplies, including single patient use items. Repair and replacement parts which are for single patient use would also be exempted. The definition of a prosthetic device would be expanded to include all necessary accessories, supplies, and items required for the effective use of the prosthetic device.

As proposed to be amended, “health plan” would refer to the definition in section 62A.011 subdivision 3. It would also include specified other coverage, including automobile medical coverage, long-term care, workers’ compensation, and self insurance.

REVENUE ANALYSIS DETAIL

- The U.S. Department of Health & Human Services, Centers for Medicare and Medicaid Services, National Health Expenditure data by state for years 1991-2004 is used as the basis for this estimate.
- National Health Expenditure data from 2009 also provides a breakdown in healthcare spending between insurance, Medicare, and Medicaid spending and out-of-pocket consumer spending.

REVENUE ANALYSIS DETAIL (Cont.)

- This estimate assumes that all nondurable medical products paid for by Medicare, Medicaid, or insurance would become exempt.
- This estimate assumes that this bill would further exempt 3% of consumer out-of-pocket spending on durable medical products and 7% of insurance spending on durable medical products.
- The February Global Insight, Inc., forecast for growth in pharmaceuticals and other medical products is used to increase spending on nondurable medical equipment. The forecast for growth in therapeutic appliances and equipment is used to increase spending on durable medical equipment.
- Due to the retroactive effective date, the fiscal year 2012 estimate includes three months of fiscal year 2009 and all of fiscal years 2010, 2011 and 2012. If this bill passes before June 30, 2011, some of the fiscal year 2012 amount could be shifted to fiscal year 2011.

Number of Taxpayers: Unknown

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy