

MINNESOTA • REVENUE

MNCARE TAXES

Repeal of Wholesale Drug Tax

March 22, 2004

	Yes	No
Separate Official Fiscal Note Requested	X	
Fiscal Impact		
DOR Administrative Costs/Savings	X	

Department of Revenue

Analysis of H.F. 2612 (Dorman) / S.F. 2950 (Kiscaden)

Revenue Gain or (Loss)			
<u>F.Y. 2004</u>	<u>F.Y. 2005</u>	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>
	(000's)		
Health Care Access Fund	\$0	(\$16,830)	(\$71,740) (\$81,010)

Assumed effective for gross revenues received on or after January 1, 2005. (The bill provides that it applies to taxes due on or after January 1, 2005.)

EXPLANATION OF THE BILL

Current Law: A gross revenue tax (MinnesotaCare Tax) of 2% is imposed on hospitals, health care providers, surgical centers, and wholesale drug distributors. Revenues are deposited in the Health Care Access Fund. For hospitals, surgical centers, and health care providers, the amount paid for legend drugs to wholesale drug distributors that are subject to tax is excluded from gross revenue.

Proposed Law: The bill would repeal the MinnesotaCare Tax of 2% on wholesale drug distributors. Also, the deduction from gross revenues for the amount paid for legend drugs to wholesale drug distributors would be eliminated for hospitals, surgical centers, and providers.

REVENUE ANALYSIS DETAIL

- Baseline revenues from the February 2004 forecast were used for the analysis.
- Because the proposal is effective for gross revenues received after December 31, 2004, the impact in fiscal year 2005 reflects one quarterly payment of estimated tax for wholesale drug distributors.
- The removal of the legend drug exemption increases taxes paid by hospitals, surgical centers, and providers. The effect for hospitals and surgical centers in FY 2005 would be for five monthly payments of estimated tax and for providers it would be one quarterly payment.
- Refunds are adjusted for FY 2006-2007.

Number of Taxpayers: 6,770 health care providers, 150 hospitals/surgical centers, and 140 wholesale drug distributors.

Source: Minnesota Department of Revenue

Tax Research Division

http://www.taxes.state.mn.us/taxes/legal_policy

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