

# MINNESOTA • REVENUE

## SALES AND USE TAX Medical Devices and Parts

April 20, 2010

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue  
Analysis of S.F. 3352 (Bakk)

	<b>Fund Impact</b>			
	<b><u>F.Y. 2010</u></b>	<b><u>F.Y. 2011</u></b>	<b><u>F.Y. 2012</u></b>	<b><u>F.Y. 2013</u></b>
		(000's)		
Prescription Requirement	\$0	\$2,085	\$2,160	\$2,220
Medicare / Medicaid Exemption	\$0	(\$800)	(\$830)	(\$860)
Repair and Replacement Parts Exemption	<u>\$0</u>	<u>(\$470)</u>	<u>(\$490)</u>	<u>(\$500)</u>
<b>General Fund Total</b>	\$0	\$815	\$840	\$860
Prescription Requirement	\$0	\$120	\$125	\$130
Medicare / Medicaid Exemption	\$0	(\$50)	(\$50)	(\$50)
Repair and Replacement Parts Exemption	<u>\$0</u>	<u>(\$30)</u>	<u>(\$30)</u>	<u>(\$30)</u>
<b>Natural Resources and Arts Funds Total</b>	\$0	\$40	\$45	\$50
<b>Total – All Funds</b>	\$0	\$855	\$885	\$910

Effective for sales and purchases made after May 31, 2010

### EXPLANATION OF THE BILL

**Current Law:** Current law has three classes of exempt medical devices: prosthetic devices and mobility enhancing equipment are exempt as a class, and durable medical equipment is exempt for home use only. Repair and replacement parts are also exempt, except that repair and replacement parts for single patient use for durable medical equipment are taxable. Devices paid for or reimbursed by Medicare or Medicaid are taxable if the item purchased is taxable.

**Proposed Law:** The bill would require that prosthetic devices, durable medical equipment for home use, and mobility enhancing equipment be prescribed in order to be sold exempt. The bill would exempt repair and replacement parts for durable medical equipment for single patient use.

The bill would also exempt sales of items that are covered by the federal government or the state of Minnesota pursuant to the Medicare or Medicaid program, by a private insurance company administering the Medicare or Medicaid program on behalf of the federal or state government, or by a managed care organization of a patient enrolled in a prepaid medical program that furnishes services in lieu of conventional Medicare or Medicaid coverage pursuant to an agreement with the federal or state government.

## **REVENUE ANALYSIS DETAIL**

- The estimate for narrowing the exemption for medical devices by requiring a prescription is based on data developed for the 2010 Tax Expenditure Budget using the Minnesota consumption tax model.
- The estimates of exempting repair and replacement parts for durable medical equipment for single patient use and exempting payments or reimbursements by Medicare or Medicaid were based on Department of Revenue and industry data.
- Annual growth was based on IHS Global Insight data.

Source: Minnesota Department of Revenue  
Tax Research Division  
[http://www.taxes.state.mn.us/taxes/legal\\_policy](http://www.taxes.state.mn.us/taxes/legal_policy)