

MINNESOTA • REVENUE

SALES AND USE TAX Medical Devices Insurance Purchases

February 27, 2012

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 2402 (Davids) As Proposed to be Amended

	Fund Impact			
	<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%)	\$0	(\$16,300)	(\$4,600)	(\$5,000)
Natural Resources and Arts Funds (0.375%)	\$0	(\$900)	(\$260)	(\$290)
Total – All Funds	\$0	(\$17,200)	(\$4,860)	(\$5,290)

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 and Medicaid. The definition of durable medical equipment would be expanded to single patient use items. Repair and replacement parts which are for single patient use would also be exempted. A new exemption for accessories and supplies is created. Accessories and supplies are items required for the effective use of durable medical equipment for home use only or purchased in a transaction covered by Medicare or Medicaid. Accessories and supplies are also items required for the effective use of a prosthetic device.

The proposed amendment fixes a drafting error in the Medicare and Medicaid exemption.

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 1991-2009 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 the 70% of nondurable medical products paid for by Medicare or Medicaid would be exempted by this bill.
- This estimate assumes that this bill would further exempt 3% of consumer out-of-pocket spending on durable medical products and 5% of Medicare and Medicaid spending on durable medical products.
- The February 2012 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 2013 estimate includes three months of fiscal year 2009 and all of fiscal years 2010, 2011, 2012, and 2013. If this bill passes before June 30, 2011, some of the fiscal year 2013 amount could be shifted to fiscal year 2012.

Number of Taxpayers: Unknown

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