

# MINNESOTA • REVENUE

## MINNESOTACARE Out-of-State Services Exemption

March 7, 2012

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue

Analysis of S.F. 687 (Senjem) As Proposed to be Amended (SCS0687A-2)

	<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)	
Health Care Access Fund	\$0	(\$2,600)	(\$3,600)	(\$3,800)

Effective for gross revenues received after June 30, 2012.

### EXPLANATION OF THE BILL

**Current Law:** Health care providers, hospitals, and surgical centers located in Minnesota are subject to a tax of 2% of gross revenues. Proceeds from that tax are deposited in the Health Care Access Fund, which is used primarily to fund the MinnesotaCare program.

**Proposed Law: As proposed to be amended,** the bill would exempt payments for laboratory services from the tax if the specimen examined was collected outside Minnesota.

### REVENUE ANALYSIS DETAIL

- It was assumed that the exemption would apply only to medical diagnostic laboratory services. Imaging and radiology labs were excluded from this analysis.
- There are fewer than 50 diagnostic laboratories that filed MinnesotaCare tax returns for tax year 2010. That number does not include every entity that might qualify for the exemption. Some providers may specialize in one field but also offer laboratory services. The estimate was increased by 20% to account for other providers that offer laboratory services.
- Information is not included on the MinnesotaCare tax returns that would indicate the portion of laboratory services provided for specimens collected outside the state.
- Laboratories that offer unique services are more likely to receive specimens from across the country and internationally. Laboratories that are located near state borders or that focus on mail order testing of samples also may receive a high proportion of specimens collected outside Minnesota. For other laboratories it was assumed that 10% of laboratory services are provided for specimens that are collected out of state.
- Growth rates from February 2012 forecast of the MinnesotaCare tax were used.

**REVENUE ANALYSIS DETAIL (Cont.)**

- Health care providers pay MinnesotaCare taxes quarterly, with estimated payments due in April, July, October, and January. Since each payment is for revenue collected during the previous quarter, the first quarterly payment that would be affected by the bill would be in October 2012. The revenue impact for fiscal year 2013 is reduced to reflect three quarters of collections.

**Number of Taxpayers:** Fewer than 100 entities.

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)