

MINNESOTA • REVENUE

SALES AND USE TAX Medical Devices Insurance Purchases

April 5, 2013

Department of Revenue
Analysis of H.F. 1341 (Schoen) / S.F. 1203 (Eaton)

	Yes	No
DOR Administrative Costs/Savings	X	

	Fund Impact			
	<u>F.Y. 2014</u>	<u>F.Y. 2015</u>	<u>F.Y. 2016</u>	<u>F.Y. 2017</u>
	(000's)			
General Fund	(\$1,850)	(\$420)	(\$450)	(\$470)
Natural Resources and Arts Funds	<u>(\$100)</u>	<u>(\$25)</u>	<u>(\$25)</u>	<u>(\$30)</u>
Total – All Funds	(\$1,950)	(\$445)	(\$475)	(\$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, or another health plan. 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, Medicaid, or another health plan. Accessories and supplies are also items required for the effective use of a prosthetic device.

Refunds would be allowed for the retroactive period. Refund claims that would otherwise be disallowed due to the statute of limitations may be filed until June 30, 2014.

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 this bill would further exempt 0.5% of consumer out-of-pocket spending on durable medical products and 1.3% of Medicare, Medicaid, or other health plan spending on durable medical products.
- The February 2013 Global Insight, Inc., 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 2014 estimate includes three months of fiscal year 2009 and all of fiscal years 2010, 2011, 2012, 2013, and 2014.

Source: Minnesota Department of Revenue
Tax Research Division
[www.revenue.state.mn.us/research_stats/Pages/
Revenue-Analyses.aspx](http://www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx)

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