

April 25, 2018

	Yes	No
DOR Administrative Costs/Savings		x

Department of Revenue
Analysis of H.F. 3292 (Quam) / S.F. 3912 (Anderson)

	Fund Impact			
	<u>F.Y. 2018</u>	<u>F.Y. 2019</u>	<u>F.Y. 2020</u>	<u>F.Y. 2021</u>
	(000's)			
General Fund	\$0	(\$430)	(\$480)	(\$500)
Natural Resources and Arts Funds	<u>\$0</u>	<u>(\$20)</u>	<u>(\$30)</u>	<u>(\$30)</u>
Total – All Funds	\$0	(\$450)	(\$510)	(\$530)

Effective for sales and purchases made after June 30, 2018.

EXPLANATION OF THE BILL

Current Law: The sale of certain drugs and medical devices for human use are exempt from the sales and use tax. Examples of exempt items include: over-the-counter drugs, finger-pricking devices, prosthetic devices, durable medical equipment for home use, mobility enhancing equipment, prescription eyeglasses, and kidney dialysis equipment. All items purchased in transactions covered by Medicare or Medicaid are exempt. Accessories and supplies required for the effective use of prosthetic devices or durable medical equipment for home use are exempt.

Proposed Law: The bill would expand the current exemptions from sales and use tax to include items purchased in a transaction covered by a private health plan.

REVENUE ANALYSIS DETAIL

- The estimates are based on information from the Department of Revenue Consumption Tax Model for medical equipment and supplies.
- Total purchases of medical equipment by clinics, physicians' offices, or other medical facilities not operating as a hospital or outpatient surgical center are estimated to be \$350 million.
- National Health Expenditure data from 2015 provides information on amounts for Medicare, Medicaid, private health insurance, and out-of-pocket consumer spending.
- It is assumed 10% of expenditures for medical items not currently exempt from the sales and use tax would be affected. It is estimated, based on data from the Centers for Medicare and Medicaid Services, that 20% of the remaining expenditures are for items covered by a private health plan.
- A growth rate of 4% is assumed based on industry information for medical equipment and supplies.
- The fiscal year 2019 estimates are adjusted for eleven months of collection.

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