

HOUSE RESEARCH

Bill Summary

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Subject: Modifies the sales tax exemption for medical devices

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Modifies the sales tax exemption for prosthetic, durable medical equipment for home use only, and mobility enhancing devices by requiring a prescription in order to qualify for the sales tax exemption. Expands the medical equipment exemption by exempting all items purchased in transactions covered by Medicare or Medicaid, and including single patient use parts in the exempt repair and replacement parts. Effective for sales and purchases made after May 31, 2010.

Background: In 2004 the state adopted a new definition of tax exempt medical devices in order to conform to the Stream lined Sales and Use Tax Agreement (SSUTA). Although the agreement definitions allowed the state to make minimal changes to the exemption for prosthetic devices and mobility enhancing equipment, there was no SSUTA definition of durable medical device that matched the state's existing definition. Several options were considered, including (1) taxing all durable medical equipment; (2) exempting home use and taxing purchases by for-profit facilities, (3) taxing individuals' purchases except when prescribed or paid by Medicare or Medicaid, or (4) exempting all durable medical equipment. The exemption for home use was the option adopted since it increased sales tax revenues the least.

In 2008 the state further modified the medical equipment device exemption by exempting all kidney dialysis equipment and excluding single-patient use items from the exempt repair and replacement parts. The net revenue impact of the two changes was zero.