

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 573

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Version: As introduced

Authors: Quam and others

Subject: Expand the medical device sales tax exemption

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Overview

Minnesota currently exempts a number of health care-related purchases, including prosthetic devices and their repair and replacement parts, from sales tax regardless of purchaser. It also exempts durable medical equipment for home use only, including repair and replacement parts but excluding parts for single-patient use. The current definitions conform to the Streamlined Sales and Use Tax Agreement (SSUTA) for allowed health care-related items.

This bill would expand the definitions of both prosthetic devices and durable medical equipment to include "accessories and supplies necessary to the effective use" of the equipment device and it includes single-patient use items to the definition of durable medical equipment repair and replacement parts.

The bill would also expand the exemption to all items purchased in transactions covered by Medicare, Medicaid, health insurance, or virtually any third party payer. All drugs and medical equipment except for durable medical equipment in the current exemption are exempt regardless of the purchaser. Durable medical equipment purchased for home use is also exempt regardless of the payer.

SSUTA does not allow for any limitation of a health care exemption based on payer, except for payments by Medicare and Medicaid.

- 1** **Drugs, medical devices.** Expands the definition of exempt "durable medical equipment" to include all accessories and supplies required for equipment use, including single-patient use items. The inclusion of single-patient use items is allowable under the SSUTA definition; the addition of "accessories and supplies" is not allowed in the SSUTA definition and may need to be a separate exemption.

Expands the definition of prosthetic device to include "all necessary accessories, supplies, and items required for effective use." The addition of "accessories and supplies" is not allowed under the SSUTA definition and may need to be a separate exemption.

Expands the sales tax exemption to cover items when purchased as part of a transaction covered by Medicare and Medicaid, health plans and insurance, or virtually any third party payer of medical services (i.e., accident insurance, workers comp, etc.). It is unclear if this language would expand the exemption only to items explicitly listed in the current exemption that are paid for by these parties or

includes any medical purchases not covered in our current definitions (i.e., bandages and dressings, needles and syringes, air purifiers, etc.).

Exempting purchases covered by Medicare and Medicaid is allowed under SSUTA definitions; limiting exemptions of defined health care items to purchases covered by other third party payers is not allowed under SSUTA.

Effective retroactively for purchases made after April 1, 2009.