



The Medical Device Excise Tax and Minnesota

As the birthplace of medical devices, Minnesota has watched the industry grow and develop countless innovations that improve health and save lives. Supporting the industry's economic strength is critical to Minnesota's economy, creating high-paying, knowledge-based jobs. The federal medical device excise tax continues to stifle innovation in Minnesota.

INDUSTRY IN MINNESOTA

Minnesota's medical and health technology industry is one of the most impactful in the world. Minnesota has been a leader in healthcare innovation and care for more than 150 years.

- Minnesota had **712 medical device companies** in 2014.
- Those companies employed roughly **35,500 people**.
- In 2014, the industry had an **average salary of \$97,500**.
- Minnesota pays roughly **25%** of the entire medical device tax for the U.S.

IMPACT ON ENTREPRENEURS AND SMALL BUSINESSES

Paying the medical device tax takes money away from R&D spending and new hiring for growing companies.

- More than **80%** of those companies employ **50 or fewer people** and roughly **95% employ 25 or fewer**.
- The tax is not being offset by an increased demand in medical devices. Most of the patients receiving devices are older and already have private insurance or Medicare coverage.
- More than **50% of respondents to a national survey** reported reducing R&D as a result of the device tax, and many LifeScience Alley members have reported reducing R&D and hiring activity locally.

OTHER BILLS

Minnesota's proposed legislation recognizes the burdens of the medical device tax and sends the message that the state wants the device industry to remain and grow here. Other states are sending the same message.

- Introduced in 2014, **Indiana House Bill 1256** would provide a tax credit against state tax liability for the amount of a taxpayer's federal medical device excise tax liability apportioned to Indiana.
- Also introduced in 2014, **South Carolina House Bill H4365** would allow a company developing or manufacturing medical devices in South Carolina a state income tax credit equal to 100% of the fees paid by the company to the FDA.
- **Massachusetts** passed a bill that would study the feasibility of offering a state tax credit to offset the federal excise tax.
- Though it did not pass, **Colorado** proposed to offer a tax credit of up to \$50,000 for medical device manufacturers in their state who pay the tax.