

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 180** SLS 17RS 392
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 14, 2017 2:17 PM	Author: MORRELL
Dept./Agy.: REVENUE	Analyst: Benjamin Vincent
Subject: Sales Tax: Medical Devices	

TAX/SALES-USE,EXEMPT OR -\$16,400,000 GF RV See Note Page 1 of 1
 Exempts sales and purchases of medical devices used by patients under the supervision of a physician from state sales and use tax.

Current law partially suspends the state sales and use tax exemption for sales and purchases of medical devices, and imposes a 3% state sales and use tax rate until July 1, 2018, at which time these transactions will become fully exempt.

Proposed law exempts these transactions from the combined 3% rate of tax for FY18.

Effective upon governor's signature.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	(\$16,400,000)	\$0	\$0	\$0	\$0	(\$16,400,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	(\$16,400,000)	\$0	\$0	\$0	\$0	(\$16,400,000)

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

Current law partially exempts sales of medical devices used by patients under the supervision of a physician from state sales and use tax, resulting in a 3% tax rate levied on these transactions in FY18. In FY19, current law provides that these transactions will be taxed at 0%. Proposed law fully exempts these transactions for FY18, one year earlier.

Based on the current partial exemption of medical devices (2% exempted of the combined 5% rate), affected transactions in the current fiscal year (FY17) will result in approximately \$10.9 million of state sales tax loss at the 2% exemption. Adjusting that loss to apply to the remaining 3% of tax implies an additional revenue loss of \$16.4M due to proposed law in FY18. Proposed law would cause no revenue impacts in any years following.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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