

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 272** SLS 15RS 617

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 14, 2015	10:11 AM	Author: ERDEY
Dept./Agy.: Revenue		Analyst: Deborah Vivien
Subject: Exempts Medicaid prosthetic devices from local sales tax		

TAX/SALES EG DECREASE LF RV See Note Page 1 of 1
Exempts from local sales tax prosthetic devices prescribed by physicians for personal consumption or use. (7/1/15)

Current law provides an exemption from state sales tax on purchases of prosthetic devices for personal consumption or use.

Proposed law expands the exemption to local sales tax on purchases of prescribed prosthetic devices for personal consumption or use when the transaction is a medicaid claim paid either directly by the state or by a third party administrator.

Effective on July 1, 2015.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	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	2015-16	2016-17	2017-18	2018-19	2019-20	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	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Annual Total						

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

The bill is expected to decrease local revenue in the amount of current remittances of local sales tax on purchases of prosthetic devices ultimately paid by Medicaid. Medicaid claims paid directly by the state are not taxable. Apparently, the question of taxes applying to these transactions is a relatively recent occurrence with the advent of third party administrators, namely Bayou Health, for Medicaid claims for prosthetic devices. These transactions have been deemed taxable but Bayou Health does not consider the tax to be a part of the claim. The seller is not allowed to pass the tax through to the consumer but must remit. This bill will exempt a Bayou Health (or other 3rd party Medicaid administrator) transaction for prosthetic devices from local sales tax. To the extent that these Medicaid purchases have been taxed, local sales tax revenue will decline.

Local sales tax rates are typically 4.5%. The Legislative Fiscal Office has been unable to obtain information suggesting the value of prosthetic devices sold in the state on an annual basis. A prosthetic device can be any number of items that replace or substitute for various body parts, and be removable or implanted, such as a tooth, eye, facial bone, palate, joints for the hip, knee, elbow, ankle, fingers, or legs, arms, and hearing aids. The current taxation of these various items at the local level is probably varied and dependent to a large degree on the extent of medical procedure involved in their use. However, the bill works to reduce local sales tax tax collections to the extent that sales tax is currently being remitted on medicaid transactions that include the purchase of prosthetic devices.

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|---|--|--------------------------------|---|
| <input type="checkbox"/> Senate | <input type="checkbox"/> Dual Referral Rules | <input type="checkbox"/> House | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S} | | |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} | | |

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