

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



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

<b>Date:</b> May 17, 2017 2:12 PM	<b>Author:</b> MORRELL
<b>Dept./Agy.:</b> REVENUE	<b>Analyst:</b> Benjamin Vincent
<b>Subject:</b> Sales Tax: Medical Devices	

TAX/SALES-USE,EXEMPT RE DECREASE 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.

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

  

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

**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. This implies a \$16.4M revenue loss due to proposed law in FY18. Proposed law would cause no revenue impacts in any years following.

However, LDR reports that taxes being reported have largely been filed under protest, and accordingly placed in escrow. These amounts are not considered within the current baseline revenue collections supporting state government expenditures. The Dept also indicates that more tax is being protested and escrowed than is consistent with sales tax return filings. A Dept review of the larger filers indicated that some are not correctly using the return's code system to report medical device transactions and some are not protesting the tax. Thus, the total amount of affected transactions appears to be larger than what the return code system suggests, and some tax payments are not being protested and are not being escrowed. The bill then results in some unknown amount of actual current baseline revenue loss in FY18, that is currently expected to be available to support state government expenditures.

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}

**Gregory V. Albrecht**  
**Chief Economist**