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## FISCAL IMPACT REPORT

SPONSOR: Wright DATE TYPED: 02/12/01 HB 442  
 SHORT TITLE: Tax Deduction from Sale of Prosthetic Devices SB \_\_\_\_\_  
 ANALYST: Eaton

### REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	FY02			
	positive/unknown	positive/unknown	Recurring	General Fund
	positive/unknown	positive/unknown	Recurring	Local Govt.

(Parenthesis ( ) Indicate Revenue Decreases)

Relates to many bills affecting all segments of health care taxation

### SOURCES OF INFORMATION

Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

This bill makes the current limited gross receipts tax deduction for prosthetic devices complete, but restricts the definition of "prosthetic device" to exclude artificial hands and feet, dacron veins and arteries, artificial hips, cornea replacement, pacemakers & dental implants. By prohibiting the deduction for prosthetic devices that do not replace a limb, this proposal is a tax increase. Offsetting the new tax imposed on some prosthetic devices, receipts from wholesale and retail sales of artificial limbs will become deductible.

### FISCAL IMPLICATIONS

The Taxation and Revenue Department (TRD) cannot determine the fiscal impact of this bill. TRD reports that by prohibiting the deduction for prosthetic devices that do not replace a limb, this proposal is a tax increase, in aggregate.

### ADMINISTRATIVE IMPLICATIONS

Minimal.

**TECHNICAL ISSUES**

The Taxation and Revenue Department (TRD) report that the definition of "prosthetic device" as a "artificial replacement of a limb" - is contrary to the common definition. Dental implants, artificial hands and feet, dacron veins and arteries, artificial hips, plastic corneas, pacemakers, would not only not be deductible at the final sale to the patient, but could lose the wholesale deduction that allows the doctor to purchase the artificial body parts without tax by issuing an NTTC to the medical supplies wholesaler.

Webster's New Collegiate Dictionary defines a prosthesis as "an artificial device to replace a missing part of the body". Thus, hearing aids, eyeglasses and contact lens, which aid body function, but which are not replacements for missing body parts, are not prostheses. An implanted plastic contact lens used to replace a cornea would be an eligible prosthesis, as would dental implants.

JBE/njw