

March 12, 2025

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue

Analysis of H.F. 290 (Anderson) As Proposed to be Amended (H0290A1)

	Fund Impact			
	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>	<u>F.Y. 2028</u>	<u>F.Y. 2029</u>
	(000's)			
General Fund	(\$1,120)	(\$1,280)	(\$1,350)	(\$1,410)
Natural Resources and Arts Funds	(\$60)	(\$70)	(\$80)	(\$80)
Housing Assistance Fund	(\$30)	(\$30)	(\$30)	(\$30)
Special Revenue Fund	<u>(\$10)</u>	<u>(\$10)</u>	<u>(\$20)</u>	<u>(\$20)</u>
Total – All Funds	(\$1,220)	(\$1,390)	(\$1,480)	(\$1,540)

Effective for sales and purchases made after June 30, 2025.

EXPLANATION OF THE BILL

Current Law: Drugs and medical devices are exempt from the sales and use tax. The exemption includes prosthetic devices, durable medical equipment for home use only, and mobility enhancing equipment. Accessories and supplies required for the effective use of durable medical equipment for home use only or purchased in a transaction covered by Medicare or Medicaid are exempt.

Proposed Law: The bill, as proposed to be amended, would exempt health care materials, defined as nondurable, disposable health care materials prescribed that are used to serve a medical purpose. The bill also would exempt items purchased in a transaction covered by a private health plan.

REVENUE ANALYSIS DETAIL

- The estimates are based on information from the Department of Revenue Consumption Tax Model for medical equipment and supplies.
- Total purchases of medical equipment by clinics, physicians’ offices, or other medical facilities not operating as a hospital or outpatient surgical center are estimated to be \$570 million.
- It is assumed 1% of these expenditures are for health care materials exempted by the bill.
- National Health Expenditure data from 2023 provides information on amounts for Medicare, Medicaid, private health insurance, and out-of-pocket consumer spending.
- It is assumed that 9% of expenditures for medical items are purchased by a health plan. Based on data from the Centers for Medicare and Medicaid Services, it is estimated that 20% of those expenditures are items covered by a private health plan that are not already exempt.

- A growth rate of 5% is assumed based on industry information for medical equipment and supplies.
- The fiscal year 2026 estimates are adjusted for eleven months of collection.

Minnesota Department of Revenue
Tax Research Division
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