

# U.S. House votes to kill sales tax on medical devices

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The House of Representatives voted overwhelmingly Tuesday to kill a sales tax on medical devices that the medical-technology industry have battled for nearly a decade.

Republican U.S. Rep. Erik Paulsen of Minnesota introduced the stand-alone repeal legislation. The bill had 277 cosponsors and a seal of approval from the White House going into the vote. It eventually passed 283-132.

"I wanted to tee things up with a strong vote," said Paulsen, who believed the tax, designed to help pay for the Affordable Care Act, hurt innovation and penalized small [device](#) makers. "I feel more optimistic than ever (about Senate passage)."

The House vote was more lopsided and bipartisan than a Paulsen-sponsored repeal bill that passed in 2015 but never came to a vote in the Senate. Fifty-seven Democrats voted for repeal Tuesday, including members of the Minnesota House delegation.

The 2.3 percent tax on medical device sales passed in 2010 along with the rest of the Affordable Care Act. Supporters said the tax would be offset by increased device sales prompted by a broad expansion of Americans with health insurance. Critics said collecting the tax on sales rather than profits would hurt small device companies and startups.

The government did not begin collecting the tax until 2013. Congress

suspended collection three years later after taking in \$5 billion.

An initial two-year moratorium in 2016-2017 was extended to 2018-2019 earlier this year.

Meanwhile, getting rid of the tax entirely has been one of the device industry's top priorities for the past eight years—and one of the most difficult to attain.

But the political landscape has changed significantly since 2015, most notably with the election of Republican President Donald Trump, an avowed foe of the Affordable Care Act. Democratic President Barack Obama once promised to veto any device tax repeal bill that reached his desk because he saw it as a first shot in a Republican-led battle to undercut his signature [health care reform](#).

Still, the device industry's lobbying against the tax has taken a firmer hold in states such as Minnesota that rely on robust medical-technology sectors to sustain their economies.

"What you're seeing is a growing consensus that (the tax) is bad policy," said Scott Whitaker, chief executive of the Advanced Medical Technology Association (AdvaMed), the nation's major medical device industry trade group. "People want to move on to a better policy."

Jeff Mirviss, an executive vice president at Boston Scientific and president of the company's Twin Cities-based peripheral interventions business, said uncertainty about the tax has taken a toll.

"Repeal will allow us to continue to focus on driving new innovation without the tax looming while we navigate the rapidly changing health care environment for the next 18 months," Mirviss said.

Whitaker said he met recently with Senate Majority Leader Mitch McConnell, R-Ky., and Senate Minority Leader Chuck Schumer, D-N.Y., and both "expressed a willingness to act."

"For sure, there is more support (than in 2015)," said Shaye Mandle, CEO of Minnesota's Medical Alley, a state trade group representing hundreds of medical technology companies. "The votes for repeal in the Senate are there. Support is broad and bipartisan. We're hoping a strong vote in the House moves this up on the Senate's priority list."

Minnesota Sens. Amy Klobuchar and Tina Smith, both Democrats, favor device tax repeal, as do Democrats from several med tech-rich states.

In 2010 Klobuchar voted for the overall health care reform package, which included the device tax. She has since sponsored legislation to get rid of it.

"This is an additional tax on manufacturing, innovation and research at a time when we need manufacturing to be strong," Klobuchar said in a statement to the Star Tribune.

"We have worked across the aisle to secure suspensions of this tax for 2016 through 2019, and I will continue to work in the Senate on bipartisan efforts to permanently repeal or suspend this tax."

Smith noted that "the medical device industry's lifesaving innovations have contributed to the health of millions of people in Minnesota and around the world—and they employ tens of thousands of people in our state. I think it's time we pass a permanent repeal."

Industry insiders would like Senate action in August or September to keep device tax repeal legislation from being pushed aside by controversial matters such as the nomination of Brett Kavanaugh to the

U.S. Supreme Court.

Whether the Senate vote comes before or after the Supreme Court debate, AdvaMed's Whitaker said Tuesday's big vote could provide the momentum that leads to action by the end of the year.

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