



LOUISIANA HOSPITAL ASSOCIATION

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Kimberly L. Robinson
Chair
Task Force on Structural Changes in Budget and Tax Policy

Via Email: Kimberly.Robinson@la.gov

Dear Secretary Robinson:

The Louisiana Hospital Association, on behalf of our member hospitals and health systems, would like to urge this task force to consider recommending to the Louisiana Legislature restoration of the state sales tax statutory exemption for medical devices. Historically, Louisiana, along with forty-six other states, provided for a sales tax exemption for medical devices. This important exemption was removed as a result of the enactment of Acts 25 and 26 of the 1st Special Session of 2016. Now, the Louisiana Department of Revenue is collecting a 3% sales and use tax on items used in providing critical and life-saving healthcare services to patients. No different than collecting sales and use taxes on food or other necessities, a tax on medically-necessary items used solely for medical care provided directly to patients is simply bad public policy. Arguably, this is the very reason why a sales tax on these items is not a part of state tax policies across the country.

Beyond the considerable negative public policy implications resulting from imposing sales tax on medical devices, significant administrative issues related to the removal of the medical device exemption have been created. For purposes of state sales and use tax, La. R.S. 47:305(D)(1)(s) designates medical devices as items used exclusively by the patient in the medical treatment of various diseases or administered exclusively to the patient by a physician, nurse or other healthcare professional or healthcare facility in the medical treatment of various diseases under the supervision and prescribed by a licensed physician.

In addition to the negative impact of increased operating costs from having to pay taxes on items that were once exempt, there are also increased compliance and administrative costs as our community hospitals begin the arduous process of attempting to implement new systems to comply with this tax policy. These added costs reduce the resources available for needed healthcare services in our local communities.

We appreciate your consideration of this important matter and again respectfully urge the task force to recommend to the Louisiana Legislature that this statutory exemption for medical devices be reinstated.

Sincerely,

Paul A. Salles
President & CEO

cc: Members, Task Force on Structural Changes in Budget and Tax Policy