



### Sales Tax Exemption for Medical Implants

Please support HB 4203 & 4204 (H-1) to exempt medical implants such as screws, plates, artificial joints, and other implantable prosthetic devices from sales tax.

Historically, Michigan has not applied sales tax to medically necessary items such as prescriptions, durable medical equipment, mobility equipment, or prosthetic devices. This includes implantable devices like orthopedic implants used in joint replacement such as shoulders, hips, and knees.

Last year, specific orthopedic implant vendors began invoicing free-standing outpatient facilities, better known as Ambulatory Surgery Centers (ASCs), for sales tax on these items. Due to the original construct of the statute, legislation is needed to permanently exempt surgical facilities from paying sales tax on these implants, items that would never be used outside of a hospital or ASC.

HB 4203 and 4204 H-1 substitute narrowly exempts hospital, free-standing outpatient facilities (ASCs) from being required to pay sales tax on these medically necessary implants. Additionally, the substitute provides protection for any historical tax liabilities in case of an audit of a facility, however, facilities cannot apply for any refund for past taxes paid.

The H-1 substitutes will do the following

- Continues the historical trend of medically necessary implants that are used in a surgical setting in a hospital or ASC from being subject to sales tax.
- Does **NOT** require Treasury to issue any refunds for sales taxes that have been paid.
- Protects facilities from facing hundreds of thousands of dollars in potential backed sales taxes.
- Does **NOT** create any new exemptions for items currently subject to sales tax (over the counter orthotics, knee braces)
- Remains compliant with the Interstate Sales Tax Streamline Agreement

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