

# MICHIGAN AMBLATORY SURGERY ASSOCIATION

## Sales Tax Exemption for Medical Implants

Please support HB 4203 & 4204 (H-2) 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. Treasury has since issued a letter ruling clarifying that these items DO NOT meet the “dispensed pursuant to a prescription” standard included in the sales tax exemption for “prosthetic devices” but rather these items are eligible for a “resale exemption”.

Due to the original construct of the statute, this legislation is needed to clarify and streamline the exemption for 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-2 substitute narrowly exempts hospital and free-standing outpatient facilities (ASCs) from being required to pay sales tax on these medically necessary implants.

The H-2 substitutes will do the following

- Creates a clear exemption for prosthetic devices that are implanted into a human, without differentiating between sites of service
- 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 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

For questions please contact Ryan Burtka, [ryan@kjlteam.com](mailto:ryan@kjlteam.com)

O: 517.458.4044 | M: 313.605.3878 M