

Repeal the Medical Device Tax

On January 22, 2018, Congress overwhelmingly voted to pass another two-year suspension of the medical device tax. The 2.3% excise tax on medical technology sales amounts to a \$29 billion burden that will impact medical technology jobs and hinder the development of innovative medical devices that are crucial to effective and efficient health care.

Given the harmful impact of this tax on American innovation and industry, MITA urges Congress to pass legislation permanently repealing the medical device tax.

THE DEVICE TAX HARMS JOBS AND THE ECONOMY

The American medical technology industry employs more than 2 million Americans and provides an average salary 40 percent higher than the national average (\$58,000 vs. \$42,000). Fueled by innovative companies, the majority of these businesses are small – 80 percent have fewer than 50 employees. Without repeal, the device tax will continue to negatively impact this dynamic sector by directing resources away from investment in well-paid American jobs.

THIS DEVICE TAX STIFLES HEALTH CARE INNOVATION

The medical imaging industry is continuously innovating and developing new tools to diagnose and treat diseases at earlier stages and reducing downstream costs to the healthcare system. In research and development alone, the medical imaging industry invests nearly \$10 billion annually to advance patient care. The device tax reduces resources the industry uses to fund R&D, innovation and growth, and capital investments - all of which are critical to addressing the needs of patients. Less investment in these crucial areas slows the pace of innovation and postpones patient access to the next generation of care.

THE DEVICE TAX DISPROPORTIONATELY IMPACTS THE MEDICAL IMAGING INDUSTRY

While this tax was designed to complement an increase in demand for medical devices due to the Affordable Care Act's insurance coverage expansions, this logic does not extend to imaging equipment. While many other devices are designed for one-time use for one patient, imaging equipment is used multiple times, on many patients, for multiple years. Even if a hospital or medical practice sees an increase in patients, this does not necessarily directly correspond to additional equipment purchase for the manufacturer. This blanket tax on all medical devices hits multi-patient and prolific medical imaging equipment especially hard by adding a 2.3% tax cost without a substantial increase in demand to cover the liability.

THE TAX IS LEVIED ON SALES, NOT NET INCOME

As a result, even companies making no profit are stuck with a large tax bill, making it harder for entrepreneurs to attract investment to support innovation, expansion, and growth.

LEGISLATION IS NEEDED TO REPEAL THE DEVICE TAX

Past legislation to repeal the device tax, the Protect Medical Innovation Act (H.R. 184), received broad bipartisan support.

IMPACT OF THE DEVICE TAX

29,000 Jobs lost while device tax was in effect

(Source: U.S. Department of Commerce)

25,000 Additional jobs lost by 2021 if tax implemented

(Source: American Action Forum)

\$34 MILLION: Reduction in R&D while the tax was in effect

(Source: Tax Foundation)

**CONGRESS: ACT NOW TO
PERMANENTLY REPEAL
THE DEVICE TAX**



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