

EDITORIAL BOARD MEMO

To: Editors and Columnists

From: Frank Clemente, Executive Director, Americans for Tax Fairness

Date: June 16, 2015

U.S. HOUSE TO VOTE ON MEDICAL DEVICE TAX REPEAL Weds. June 17TH; WOULD GIVE MULTI-BILLION DOLLAR INDUSTRY A \$24 BILLION TAX BREAK

Device tax was enacted to help pay for health insurance coverage for millions of Americans

WASHINGTON, D.C. – On Weds., June 17, the U.S. House of Representatives is expected to vote on HR 160, a bill that would eliminate the 2.3 percent excise tax paid by medical device companies to help pay for the extension of health insurance to 25 million Americans through the Affordable Care Act (ACA), also known as Obamacare. This corporate tax break will cost more than [\\$24 billion](#) over 10 years according to the Joint Committee on Taxation (JCT).

This modest tax is assessed on U.S. sales of medical devices and is paid by device manufacturers or importers. It is applied to medical devices such as coronary stents, irradiation equipment, imaging machines, cardiac devices, and orthopedic implants. It does NOT apply to many medical devices that consumers purchase at retail, such as eyeglasses, contact lenses, hearing aids and wheelchairs.

The \$24.4 billion it will raise over 10 years comes from a [U.S. industry that had at least \\$166 billion in sales last year alone](#). The companies affected by the tax are reaping significant benefits from health care reform, since the ACA has helped to create millions of new customers—and new profits—from the formerly uninsured.

The health insurance coverage of Americans should not be put at risk for the sake of one very profitable industry's bottom line. **We urge you to editorialize in opposition to the repeal of this needed tax that largely affects only large, profitable firms but benefits millions of Americans who are getting health care coverage for the first time.**

Repeal would be yet another tax giveaway, totally unpaid for, to those who don't need the help. In May, the Republican-led House voted to make the corporate tax break known as the Research and Development (R&D) Tax Credit permanent, at a cost of [\\$181.6 billion over ten years](#). In April, the House voted to repeal the federal estate tax – a \$269 billion tax giveaway to the estates of the wealthiest 0.2% of multi-millionaires and billionaires.

The U.S. House has already approved \$570 billion in tax breaks to corporations and the wealthy this year; if the medical device tax repeal bill is passed, that total will grow to \$594 billion (see Table). House Republicans are on track to wipe out the [\\$846 billion that will be generated over](#)

[the next 10 years](#) from ending the Bush tax cuts for the richest 1 percent of Americans in the 2013 fiscal cliff deal. (The amount has increased from the original estimate of [\\$620 billion](#) due to it covering a later budget window.)

**Large Tax Breaks Passed by the U.S. House in 2015 But Not Paid For
As of June 16, 2015**

Tax Bills Passed by the U.S. House of Representatives	Ten Year Cost
Section 179 Expensing (HR 636)	\$77.1 billion
State and Local Sales Tax Deduction Fairness Act (HR 622)	\$42.4 billion
R&D Tax Credit (HR 880)	\$181.6 billion
Estate Tax Repeal Act (HR 1105)	\$268.9 billion
Medical Device Tax Repeal (HR 160)*	\$24.4 billion
Total cost of 2015 House tax bills that are not paid for	\$594.4 billion

* Assumes House passage of medical device tax repeal on June 17
Sources: Congressional Budget Office and Joint Committee on Taxation

Since repealing the medical device tax would be another corporate tax break that isn't paid for, it will either add to the deficit or average Americans could end up footing the bill.

The New York Times editorial board flatly stated that [repealing the medical device tax is a "terrible idea"](#) and called predictions that will hurt the industry "malarkey." *USA Today* was even harsher, editorializing that ["Congress would do well to listen to its own researchers instead of the industry's self-serving whining."](#)

Medical device companies need to contribute their fair share to health care reform, as other industries are doing. For example, [insurance companies are contributing \\$102 billion](#) in new taxes over 10 years, and pharmaceutical companies are contributing \$34 billion (p. 17). They have done so because they all – including the medical device industry – will reap significant benefits from the increased demand for medical services and products resulting from the ACA. Repealing the medical device excise tax will encourage other industries to try to undo their contributions.

Even though the medical device industry has benefited from the expansion of health care coverage under the ACA, [nearly 400 lobbyists](#) have been at work in Washington pushing Congress to repeal this modest tax. They are pulling out all the stops to convince lawmakers that the tax needs to be repealed to protect jobs and strengthen the economy.

The arguments the medical device industry has raised against the tax have been discredited by numerous independent analyses, including the [Congressional Research Service](#) and the [Center on Budget and Policy Priorities](#):

- **The excise tax will have minimal impact on employment.** Despite industry claims that tens of thousands jobs will be eliminated by the tax the Congressional Research Service calculates the worst-case scenario would be a [loss of 1,200 jobs, or two-tenths of one percent of industry jobs](#) (p.22). With increased demand for health care under the ACA, Wells Fargo estimates that [the effects of the tax on the medical device industry will be offset](#).
- **The tax creates no incentives to move jobs offshore because it affects domestic and foreign firms equally.** The tax covers all devices sold in the United States, whether from domestic or foreign manufacturers. It will not hurt the industry's overseas sales because it exempts from taxation items produced for export.
- **The tax will have minimal impact on consumers.** The law specifically exempts eyeglasses, contact lenses and hearing aids, and it provides an exemption for other devices that are generally purchased by the public at retail for individual use, such as wheelchairs.

The medical device excise tax raises \$2-\$3 billion a year from domestic and foreign companies combined; most of it comes from the largest and most profitable U.S. firms, many of which dodge paying their fair share of taxes. For example, the 15 most profitable U.S. medical device makers may be [avoiding \\$74 billion in federal income taxes](#) on \$257.5 billion in profits they hold offshore that are currently untaxed by the United States, according to Citizens for Tax Justice.

The American people don't want another big corporate tax break and the uninsured don't need another impediment put in their way to get the peace of mind provided by health coverage under the ACA. The medical device tax is a pragmatic, fair, and responsible way to get a booming industry to contribute to the expanded health coverage that it is profiting from. Therefore, we urge you to oppose any efforts to repeal the medical device excise tax.

RESOURCES

OPINION

[Medical Device Tax Misinformation](#), *US News & World Report*, April 27, 2015

[No Case for Killing the Medical Device Tax](#), *The New York Times* editorial, January 30, 2015

[Keep medical device tax](#), *USA Today* editorial, January 4, 2015

ARTICLES

[New Analysis Challenges Arguments for Repealing Tax on Medical Devices](#), *The New York Times*, January 13, 2015

[Fact Checker: Has the medical device tax eliminated 'thousands' of jobs?](#), *The Washington Post*, January 7, 2015

[Fact Checker: Has the medical device tax shipped jobs overseas and stunted innovation?](#), *The Washington Post*, November 21, 2014

[How killing the medical device tax became one of Washington's top priorities](#), *The Washington Post*, November 7, 2014

REPORTS

[Big Medical Device Makers Decry Device Tax While Dodging Billions by Offshoring Profits](#), Citizens for Tax Justice, April 23, 2015

[Keep the Medical Device Tax](#), Center on Budget and Policy Priorities, April 22, 2015

[Excise Tax on Medical Devices Should Not Be Repealed](#), Center on Budget and Policy Priorities, February 23, 2015

[The Medical Device Excise Tax: Economic Analysis](#), Congressional Research Service, January 9, 2015

Americans for Tax Fairness is a diverse coalition of [425 national and state endorsing organizations](#) that collectively represent tens of millions of members. The organization was formed on the belief that the country needs comprehensive, progressive tax reform that results in greater revenue to meet our growing needs. ATF is playing a central role in Washington and in the states on federal tax-reform issues.

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