

QUESTION NO. 13

Amendment to the Sales and Use Tax Act of 1955

Assembly Bill 373 of the 68th Session

CONDENSATION (ballot question)

Shall an exemption from the sales and use taxes be provided for orthotic appliances, ambulatory casts, other supports, splints, bandages, pads, compresses and dressings if prescribed, furnished or sold under certain circumstances?

Yes

No

EXPLANATION

The proposed amendment to the Sales and Use Tax Act of 1955 would exempt from the taxes imposed by this act the gross receipts from the sale and storage, use or other consumption of orthotic appliances and ambulatory casts, other supports and casts if prescribed or applied by a licensed provider of health care, within his scope of practice, and splints, bandages, pads, compresses and dressings prescribed, furnished or sold under certain circumstances. The exemption would not apply to these items if they are sold without a prescription. If this proposal is adopted, the legislature has provided that the Local School Support Tax Law and the City-County Relief Tax Law will be amended to provide the same exemption.

ARGUMENTS FOR PASSAGE

The cost of medical care in Nevada is among the highest in the nation and this proposal would help to lower that cost. Since the tax on these items is not reimbursed by Medicaid, Medicare, workers' compensation, or health insurance, the residents of Nevada pay the tax. A person should not be taxed to get well and the state should not profit from people's infirmities, illnesses and disabilities.

Additionally, patients treated in nonprofit hospitals, and the hospitals themselves, are not subject to the tax, which creates an inequity for those persons who are treated in a place other than a hospital. This situation encourages an unnecessary utilization of hospitals. Furthermore, administration of the current exemption creates confusion for providers of medical care, suppliers and patients.

ARGUMENTS AGAINST PASSAGE

Passage of this proposal would reduce sales tax revenues available to state and local governments. Also, the payment of the sales and use taxes on these items is not a burden for those Nevadans covered by public assistance. Therefore, the exemption is not needed.

FISCAL NOTE

Financial Impact - Cannot be determined. The proposal would provide an exemption from the Sales and Use Tax Act of 1955 for orthotic appliances and casts, and certain other medical supplies. Approval of this question would result in an indeterminate loss of sales tax revenue to the state and local governments.

FULL TEXT OF THE MEASURE

AN ACT relating to taxes on retail sales; providing for the submission to the voters of the question whether the Sales and Use Tax Act of 1955 should be amended to provide an exemption from the

tax for orthotic appliances and ambulatory casts, other supports and casts if prescribed or applied by a licensed provider of health care, and splints, bandages, pads, compresses and dressings prescribed, furnished or sold under certain circumstances; contingently providing the same exemption from certain analogous taxes; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

AN ACT to amend an act entitled "An Act to provide revenue for the State of Nevada; providing for sales and use taxes; providing for the manner of collection; defining certain terms; providing penalties for violation, and other matters properly relating thereto." approved March 29, 1955, as amended.

THE PEOPLE OF THE STATE OF NEVADA DO ENACT AS FOLLOWS:

Section 1. Section 56.1 of the above-entitled act, being chapter 397, Statutes of Nevada 1955, as added by chapter 306, Statutes of Nevada 1969, at page 532, and amended by chapter 627, Statutes of Nevada 1985, at page 2028, is hereby amended to read as follows:

Section 56.1. 1. There are exempted from the taxes imposed by this act the gross receipts from sales and the storage, use or other consumption of:

(a) Prosthetic devices, *orthotic appliances and ambulatory casts for human use* [..], and other supports and casts if prescribed or applied by a licensed provider of health care, within his scope of practice, for human use.

(b) Appliances and supplies relating to an ostomy.

(c) Products for hemodialysis.

(d) Medicines:

(1) Prescribed for the treatment of a human being by a person authorized to prescribe medicines, and dispensed on a prescription filled by a registered pharmacist in accordance with law;

(2) Furnished by a licensed physician, dentist or [podiatrist] *podiatric physician* to his own patient for the treatment of the patient;

(3) Furnished by a hospital for treatment of any person pursuant to the order of a licensed physician, dentist [, podiatrist;] or *podiatric physician*; or

(4) Sold to a licensed physician, dentist, [podiatrist] *podiatric physician* or hospital for the treatment of a human being.

2. As used in this section:

(a) "Medicine" means any substance or preparation intended for use by external or internal application to the human body in the diagnosis, cure, mitigation, treatment or prevention of disease or affliction of the human body and which is commonly recognized as a substance or preparation intended for such use. *The term includes splints, bandages, pads, compresses and dressings.*

[3.] (b) "Medicine" does not include:

[(a)] (1) Any auditory, ophthalmic or ocular device or appliance.

[(b)] (2) Articles which are in the nature of [splints, bandages, pads, compresses, supports, dressings,] instruments, crutches, canes, [braces,] devices or other mechanical, electronic, optical or physical equipment.

[(c)] (3) Any alcoholic beverage, except where the alcohol merely provides a solution in the ordinary preparation of a medicine. [as defined by subsection 2.

4.] (4) *Braces or supports, other than those prescribed or applied by a licensed provider of health care, within his scope of practice, for human use.*

3. Insulin furnished by a registered pharmacist to a person for treatment of diabetes as directed by a physician shall be deemed to be dispensed on a prescription within the meaning of this section.

Sec. 2. This act becomes effective on January 1, 1997.

