

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: HB1439**

**Bill Subtitle: TO ELIMINATE THE REQUIREMENT THAT A PROSTHETIC DEVICE BE PRESCRIBED BY A PHYSICIAN.**

---

### Basic Change :

Representative D. Altes

The bill would amend Arkansas sales and use tax code provisions to provide an exemption for sales of all prosthetic devices. Under current law, prosthetic devices are exempt from tax when purchased with a prescription or an order from a physician. The bill would remove the requirement for the prescription and all sales of prosthetics would be exempt from tax including all sales to for-profit hospitals, individuals, doctors, and medical offices. The proposal would be effective on the first day of the calendar quarter following the effective date of the act.

### Revenue Impact :

#### FY14 Tax Decrease

**Total Impact to State Revenues - \$3.80 million**

(Estimate based on 8 months reduced tax collections)

-\$2.54 million --- State General Revenue (4.5%)  
-\$ .49 million --- Educational Adequacy (.875% tax)  
-\$ .28 million --- Property Tax Relief Trust Fund (.5%)  
-\$ .07 million --- Conservation Tax (.125%)  
-\$ .28 million --- Highway Fund (.5%)  
-\$ 0 --- Educational Excellence Trust Fund  
-\$ 0 --- Educational Adequacy (GR transfer)  
-\$ .09 million --- State Central Services  
-\$ .04 million --- Constitutional Officers  
Total Impact to City and County Sales Tax - \$1.2 million

#### FY15 Tax Decrease

**Total Impact to State Revenues - \$5.87 million**

-\$3.54 million --- State General Revenue (4.5%)  
-\$ .76 million --- Educational Adequacy (.875% tax)  
-\$ .44 million --- Property Tax Relief Trust Fund (.5%)  
-\$ .11 million --- Conservation Tax (.125%)  
-\$ .44 million --- Highway Fund (.5%)  
-\$ .36 million --- Educational Excellence Trust Fund  
-\$ .03 million --- Educational Adequacy (GR transfer)  
-\$ .14 million --- State Central Services  
-\$ .06 million --- Constitutional Officers

Total Impact to City and County Sales Tax - \$1.9 million

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: HB1439**

**Bill Subtitle: TO ELIMINATE THE REQUIREMENT THAT A PROSTHETIC DEVICE BE PRESCRIBED BY A PHYSICIAN.**

---

**Taxpayer Impact :**

Sellers would change their accounting to provide for the exemption from tax.

**Resources Required :**

None

**Time Required :**

None

**Procedural Changes :**

Modification of sales and use tax rules will be required.

**Other Comments :**

None

**Legal Analysis :**

This Bill is in compliance with the Streamlined Sales and Use Tax Agreement. Under the Agreement a State may exercise the option to limit its exemption for prosthetic devices to those prescribed by a physician. The State is not required to adopt this limitation. Prosthetic devices are defined separately from durable medical equipment and mobility enhancing equipment; therefore we can treat those items differently. Arkansas law currently defines and provides exemption requirements for all those items in one statute and rule but this does not mean that under Streamline the items are within the same product definition so that they must be treated in the same manner.

The effective date provision allows sufficient time for the State to provide notice to sellers before implementing the change.