

**SUMMARY OF PROPOSAL #32**  
*for consideration by the*  
**ARKANSAS TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE**

**TOPIC: Sales Tax Exemption on Sales of Test Strips for Testing Human Blood Sugar Levels**

**Summary of Proposal for Consideration**

To repeal the sales tax exemption for sales of test strips for testing human blood sugar levels under Arkansas Code § 26-52-419, effective for tax years beginning on or after January 1, 2019.

**Fiscal Analysis**

Repeal of exemption may result in an estimated \$1,207,730 per year increase to General Revenue based upon FY11, as provided by the Department of Finance and Administration's "Sales and Use Tax Revenue Impact of Exemptions" presentation to the Arkansas Tax Reform and Relief Legislative Task Force on March 19, 2018.

**Legal Analysis**

***Background***

Arkansas currently has a sales tax exemption for sales of test strips for testing human blood sugar levels.

ACT 191 of 1987 created the sales tax exemption for sales of test strips for testing human blood sugar levels, and has not been amended since.

***Potential Legal Issues***

Repealing the sales tax exemption for test strips testing human blood sugar may require a system that meets the requirements of the federal Medicare and Medicaid programs. Test strips for testing human blood sugar may constitute a medical device subject to coverage under the federal Medicare and Medicaid programs.

***Other States***

- Iowa: Sales tax exemption on sales of diabetic supplies, including testing strips. (IA St. § 423.3)
- Louisiana: Sales tax exemption on sales of medical supplies when ordered or prescribed by a licensed physician, and medical supplies when payment for such is made in whole or in part under the provisions of the Medicare or Medicaid program; may include sales of test strips under limited circumstances. (LA St. § 47:305).
- Mississippi: Sales tax exemption on sales of medical supplies when ordered or prescribed by a licensed physician and when payment for such is made in whole

or in part under the provisions of the Medicare or Medicaid program; may include sales of test strips under limited circumstances. (MS. St. § 27-65-105).

- Missouri: Sales tax exemption on sales of medical supplies when ordered or prescribed by a licensed physician and when payment for such is made in whole or in part under the provisions of the Medicare or Medicaid program; may include sales of test strips under limited circumstances. (MO St. § 144.030)
- Oklahoma: Sales tax exemption on sales of medical supplies when prescribed by a practitioner, sold to or purchased on behalf of a Medicare or Medicaid recipient and reimbursed by Medicare or Medicaid; may include sales of test strips under limited circumstances. (OK St. 68 § 1357)
- Tennessee: Sales tax exemption on sales of diabetic testing supplies. (TN St. § 67-6-314)
- Texas: Sales tax exemption on sales of blood glucose monitoring strips. (TX St. § 151.313)