

SUMMARY OF PROPOSAL #34
for consideration by the
ARKANSAS TAX REFORM AND RELIEF LEGISLATIVE TASK FORCE

TOPIC: Sales Tax Exemption for Sales of a Dental Appliance

Summary of Proposal for Consideration

To repeal the sales tax exemption for the sale of a dental appliance to or by a dentist, orthodontist, oral surgeon, maxillofacial surgeon, or endodontist under Arkansas Code § 26-52-448, effective for tax years beginning on or after January 1, 2019.

Fiscal Analysis

Repeal of the exemption may result in an estimated \$1,725,000 per year increase to General Revenue based upon FY17, 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 on the sale of a dental appliance to or by a dentist, orthodontist, oral surgeon, maxillofacial surgeon, or endodontist. "Dental appliance" means a dental device that is made for a specific patient, including without limitation a dental implant, orthodontic appliance, retainer, crown, bridge, or denture.

ACT 1419 of 2013 created the sales tax exemption on the sale of a dental appliance to or by a dentist, orthodontist, oral surgeon, maxillofacial surgeon, or endodontist, and has not been amended since.

Potential Legal Issues

None.

Other States

- Iowa: Sales tax exemption on sales of dental appliances that become permanently affixed to the patient, including, prosthetics such as artificial teeth, complete and partial dentures, crowns and/or bridges (gold, porcelain, stainless steel, resin, aluminum), denture reline materials, cavity lining varnishes, gold, cements, metal retention pins, endodontics, implants, bone plate systems and orthodontics. (IA St. § 423.3)
- Louisiana: Sales tax exemption on sales of restorative materials utilized by or prescribed by dentists in the treatment of dental or health care diseases, including all orthotic devices, prosthetic devices, prostheses and all dental devices used exclusively by the patient or administered exclusively to the patient by a dentist or dental hygienist in connection with dental or health care treatment. (LA St. § 47:305)
- Mississippi: No exemption.

- Missouri: Sales tax exemption for sales of dentures, inlays, bridgework, filings, crowns, braces or artificial dentistry. (MO St. § 144.030)
- Oklahoma: Limited exemption: dental laboratories that purchase tangible personal property to produce plates, bridge-work, artificial teeth, prosthetic devices and the like must pay tax when the material is purchased and must not charge tax to the dentist when the finished product is transferred to the dentist. (OK St. 68 § 1357)
- Tennessee: Sales tax exemption for charges made by a dentist to the dentist's patients in connection with the sale or transfer of medically corrective or support appliances and devices, orthodontia, and orthotics. (TN St. § 67-6-335)
- Texas: Sales tax exemption on the sale of dental devices and appliances, including an artificial replacement of one or more teeth or a dental appliance worn on the teeth to correct irregularities of growth or position. (TX St. § 151.313)