

31 National Groups Oppose Repeal of the Medical Device Excise Tax

June 16, 2015

Dear Representative:

We write to strongly oppose repeal of the medical device excise tax, which was enacted to help pay for the extension of health insurance for 25 million Americans under the Affordable Care Act (ACA).

This is a modest 2.3 percent tax that is assessed on the U.S. sales price of medical devices and is paid by device manufacturers or importers. It applies to medical devices such as coronary stents, irradiation equipment, imaging machines, cardiac devices and orthopedic implants. Repeal will lose more than [\\$24 billion over 10 years](#) from U.S. companies that had at least [\\$166 billion in sales last year alone](#).

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 of CBO estimate). 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.

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.

Repeal of the medical device excise tax would be one more corporate tax break that hurts regular Americans and lets profitable corporations avoid paying their fair share of taxes. The American people don't need another big corporate tax break. Therefore, we urge you to oppose any efforts to repeal the medical device excise tax.

Sincerely,

Alliance for a Just Society

Alliance for Retired Americans

American Federation of Government Employees

American Federation of State, County & Municipal Employees

American Federation of Teachers

Americans for Democratic Action

Americans for Tax Fairness, a coalition of [425 organizations](#)

Campaign for America's Future

Center for Effective Government

Citizens for Tax Justice

Coalition on Human Needs

Communications Workers of America

Community Catalyst

Families USA

Main Street Alliance

Medicare Rights Center

National Association for Hispanic Elderly

National Health Care for the Homeless Council

National Nurses United

National Women's Law Center

NETWORK: A National Catholic Social Justice Lobby

Program on Inequality and the Common Good at the Institute for Policy Studies

Public Citizen

Responsible Wealth

Service Employees International Union

UAW, International United Automobile, Aerospace and Agricultural Implement Workers of America

United for a Fair Economy

United Steelworkers

USAction

Working America

Voices for America