

Medical devices are “intended for use in the diagnosis of disease or other conditions, or in the cure, mitigation, treatment, or prevention of disease...[or] intended to affect the structure or any function of the body...and does not achieve its primary intended purposes through chemical action [such as a drug]” (FDA 2022).

**Medical devices make up over 1/3 of all out-of-pocket patient medical costs (CRS 2023).**

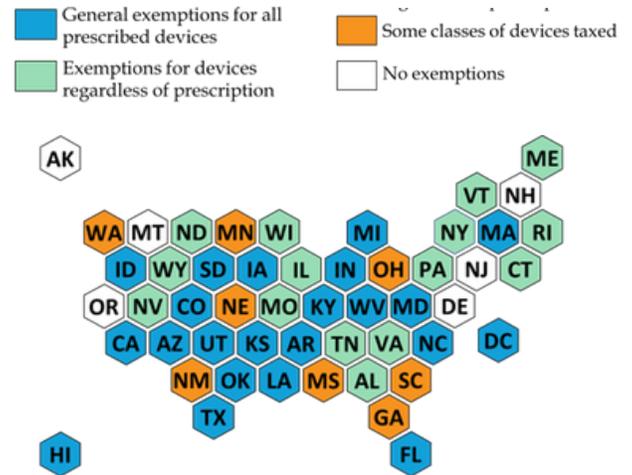
Insurance coverage and consumer costs for medical devices (e.g., oxygen tanks, prosthetics, hearing aids) vary widely depending on device type and how the device was administered (e.g., surgical inpatient or outpatient, self; ISPOR 2023).

- Federal Medicare covers 80% of durable medical equipment costs after deductibles are met (CMS 2022).

Medical devices are federally taxed at 2.3%. While devices can be tax-deductible medical expenses, only medical costs above 7.5% of one’s adjusted gross income are deductible (Serocki 2009).

**Most states exempt at least some medical devices from sales tax.**

22 states and D.C. exempt all medical devices from state sales tax when they are prescribed by a licensed medical provider (Figure 1). 15 other states exempt sales tax regardless of whether the device was prescribed; 8 others provide targeted tax exemptions, but may still tax a small category of devices (e.g., devices purchased by hospitals or not prescribed for home use; McClellan Davis 2023).



**Figure 1.** States with medical device tax exemptions. Data from McClellan Davis 2023.

Missouri law currently exempts prescription drugs and “certain qualifying health-related equipment,” from sales tax.

- Exempt devices include post-cancer implants, speech and hearing aids, catheters, eye-glasses, pacemakers, and other orthopedic and dental surgical equipment.

Research on the effect of tax exemptions on medical equipment cost or access is sparse.

- One study found that medical tax exemptions (e.g. device sales tax exemptions) have minimal impact on the overall demand for required health services (Smart 2005).

For a summary of sales and use tax in Missouri, see our **Science Note:** [Missouri Tax Overview](#).