



A Resolution: The Medical Device Tax

WHEREAS, the medical device tax is a 2.3% excise tax based on the price for which the medical device is sold, to be paid by either the U.S. importer (foreign manufactured) or the U.S. manufacturer (U.S. manufactured medical device) effective on and after January 1, 2013; estimated that nationally device manufacturers will now be required to pay an average of \$194 million per month in the device tax payments. Some devices are exempt; however, non-exempt devices include essential elements of modern medical care.

WHEREAS, the U.S. is a leader in medical device innovation, and it is one of the few major industries that both boasts a net trade surplus and is a job-creator. The medical device industry is primarily comprised of small business, as 80% of its companies have 50 or fewer employees. Small businesses are the backbone of the U.S. economy.

WHEREAS, the tax threatens the national medical device industry that employs more than 400,000 workers nationwide (indirectly responsible for almost 2 million more to supply and support the highly-skilled workforce) and generates approximately \$25 billion in payroll, pays out salaries that are 40 percent higher than the national average (\$58,000 vs. \$42,000) and invests nearly \$10 billion in research and development annually.

WHEREAS, the manufacture of medical devices is an important cluster of business in York, PA and the tax threatens these medical device companies. The tax also hampers the York County Economic Alliance's ability to attract that growing segment of business, who may otherwise locate in York, as our metro area is the least costly location for medical technology manufacturing in the New England and Mid-Atlantic regions. According to a study by The Boyd Company Inc. in April 2011, in a survey of 55 locations across the US, York PA ranks among the 25 lowest cost locations.

WHEREAS, the device tax creates great uncertainty for the industry and is in addition to fees already charged by the Food and Drug Administration for review of medical devices, and unlike these existing user fees, the taxes will be assessed by the Department of Treasury and paid to support health insurance coverage under the Patient Protection and Affordable Care Act.

NOW, THEREFORE, IT IS HEREBY RESOLVED that the York County Economic Alliance supports federal Senate Bill 232 and/or other like legislation for the repeal of the medical device excise tax; and

IT IS HEREBY FURTHER RESOLVED that the York County Economic Alliance Business Advocacy Council directs this Resolution to the attention of the Honorable U.S. Senate and the Honorable U.S. House of Representative and to work for the support thereof.

Respectfully submitted,
John Klinedinst, Chair, Business Advocacy Council

Approved: March 2013