



# Special Notice

WASHINGTON STATE DEPARTMENT OF REVENUE

NOVEMBER 6, 2012

## Federal Excise Tax on Medical Devices

As part of the Health Care and Education Reconciliation Act of 2010, the federal government implemented a Medical Device Excise Tax that is imposed on the sale of certain medical devices by the manufacturer, producer or importer of the device. This document explains how the new tax impacts Washington State taxes.

The Internal Revenue Service ("IRS") is the authority on the application of the federal tax on medical devices. Questions regarding whether a certain device is subject to the federal tax should be directed to the IRS at [IRS.gov](http://IRS.gov).

### ***Does the Medical Device Excise Tax become part of the selling price for state excise tax reporting purposes?***

Yes. The Medical Device Excise Tax is considered to be part of the selling price when the federal tax is passed on to the buyer.

The "selling price" or "sales price" is the total amount of consideration for which tangible personal property is sold, leased, rented or valued. No deduction is allowed for costs imposed on the seller - including taxes. See [RCW 82.08.010](#).

### ***What if a business separately charges their customers for the tax?***

The fact that a business may itemize the tax on sales receipts or in a contract, does not make the charge deductible from the measure of the business and occupation tax (or the retail sales tax if applicable). Therefore, the itemized charge for the federal tax is part of the selling price or sales price.

### ***Is the Medical Device Excise Tax subject to retail sales tax?***

If the sale of the medical device is subject to retail sales tax and the Medical Device Excise tax is passed on to the buyer, then retail sales tax applies to the total charge, including the amount passed on to the buyer representing the federal tax.

In the state of Washington, sales of medical devices are generally subject to retail sales tax unless a specific exemption applies.

Our [Hospital Industry Guide](#) has information regarding what types of medical items are exempt from sales tax.

P.O. BOX 47478 | OLYMPIA, WASHINGTON 98504 7478 | 1 800 647 7706 | [HTTP://DOR.WA.GOV](http://DOR.WA.GOV)

For tax assistance or to request this document in an alternate format, visit <http://dor.wa.gov> or call 1-800-647-7706. Teletype (TTY) users may call (360) 705-6718.