Tax on device makers won’t harm innovation

Mass Device

Ignoring threats of a presidential veto, House Republicans on Thursday repealed the medical device tax included in the 2010 health care reform law to help pay for coverage of the uninsured. A handful of Democratic representatives with major device makers in their states also supported repeal, which passed 270-146.

Opponents of the 2.3 percent tax, which is slated to raise $29 billion over the next decade, argued the minor levy would slow innovation in the medical device field and cost jobs. During the debate over health care reform, device makers, like their counterparts in the pharmaceutical industry, had agreed with reform proponents’ arguments that 30 million new paying customers would more than offset any tax losses or fees contained in the bill.

But now the hundreds of companies that make everything from tiny syringes to giant CT scanning machines have gone back on that pledge. The best known firms, headquartered in Midwestern states like Minnesota, Indiana, Ohio and Pennsylvania, manufacture artificial knees and hips, back discs and implanted heart valves, and stents and defibrillators – whose escalating price and use are a major contributor to rising health care costs.

During the floor debate, House Republicans used their standard argument against any new tax levy: It will cost jobs. But the heart of their complaint against the device tax, which doesn’t go into effect until January 2013, focused on the undocumented assertion that a slightly higher tax bill for industry would discourage firms from investing in research and development.

“Companies will have fewer resources for critical research, development and staffing, which, combined gives America a cutting edge in the medical technology industry,” three Republican representatives from Midwestern states wrote in an op-ed Thursday in Roll Call, a newspaper that circulates on Capitol Hill. “The next implantable defibrillator or prosthetic advancements could be delayed because of the investment opportunities this tax takes away.”

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