Vet Device Tax Loophole Could Help Some Diagnostic Companies: Kalorama

While some IVD products will see a new tax on U.S. sales of their products this year, suppliers who make veterinary diagnostic testing products will benefit from the IRS interpretation of the Affordable Care Act, according to Kalorama Information. The healthcare market research publisher conducted a full study of the animal testing market last year and noted the trend of IVD companies using animal health testing to grow profits and innovate products with less regulation. Kalorama suggests that the new tax provision could also make this sector attractive.

The Affordable Care and Patient Protection Act enacted in 2010 contains a 2.3 percent excise tax on the sale of taxable medical devices. Despite the efforts of industries and efforts to delay or repeal the tax, The law didn't define what a device is but deferred to previous statutes. Those statues generally include veterinary devices in a medical device definition, but in its 2012 guidelines, the IRS read the ACA as relating to devices for human use and said devices not regulated by and listed with the FDA are tax exempt. To be exempted, a rapid test or other animal testing product has to be for exclusive veterinary use.

"We think it adds one more positive to a market sector that is already seeing growth," said Bruce Carlson, Publisher of Kalorama information. "More lenient regulation already reduces development cost versus human products. Now there is an additional post-development factor that sales won't be subject to taxes that other IVD products will."

According to Kalorama's full study of the animal testing market last year, the veterinary diagnostics market exceeded $1.5 billion in 2011. Major diagnostic methods in mainstream healthcare - immunodiagnostics, molecular testing (including nucleic acid testing), hematology and clinical chemistry - now have standard applications in the veterinary care of companion animals. Common veterinary diagnostics products for companion animals include analyzer instruments used at clinics, immunodiagnostic assays based on lateral flow design, and more sophisticated laboratory immunoassays completed on plates with microwells and slides. Food animal diagnostics assist in livestock and production animal preventive care and complement other measures such as vaccination and selective breeding. Immunodiagnostic and molecular diagnostic products are used to monitor, manage and eradicate infectious diseases found in prevalent, highly dense food animal populations. Forecasts for both sectors are provided in the report.

Kalorama Information's report, World Market for Veterinary Diagnostics [1], authored by analyst Emil Salazar, provides more information including breakouts for various segments of veterinary diagnostics, and discussions of trends in the industry. Profiles of key competitors are also included. The report can be found at: http://www.kaloramainformation.com/Veterinary-Diagnostics-7025815/ [2]

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