



AMERICAN SOCIETY OF  
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# ASPS ISSUE BRIEF

## Cosmetic Medical Procedure Taxes

### Background

In 2004, a dangerous precedent was set in New Jersey when it became the first state to tax cosmetic medical procedures. While the state originally envisioned a windfall of revenue, as *The Record* (Hackensack, NJ) reported, it “failed to collect anything near what was predicted.” Instead of the estimated \$24 million, the state collected only \$7.8 million in tax revenue during its first year. In fact, according to independent studies, for every \$1 NJ collects on the tax, the state loses \$3.39 in total revenue. As a result, NJ Assemblyman Joseph Cryan, the sponsor of the 2004 bill, led efforts to successfully repeal the tax and has communicated his experience to state and federal legislators across the country.

Despite the bill’s quantifiable failure, many other states that are grappling with their own budget issues have since introduced similar legislation as they seek new revenue sources. In most cases, legislators have abandoned their proposals once they have examined and evaluated the detrimental effects and unintended consequences that arise when cosmetic medical procedures are taxed.

Further, once legislation paves the way for a tax on one type of medical procedure, it will be easier for lawmakers to tax any medical procedure and eventually, every medical procedure. Patients, the medical community, and the state are all negatively affected by taxes on medical procedures.

These taxes represent unsound public policy that is unfair to patients. Still, the recent failures to tax medical procedures have not been enough to prevent other states and the United States Congress from considering similar legislation. As long as government continues to experience financial woes, it is likely legislators will consider the concept of taxing medical procedures.

### The Solution

The medical community, including physicians and non-physicians alike, should be able to agree that medical care should not be used as a tool to fix broken state finances. Organized coalitions, such as the ASPS’ “Stop Medical Taxes Coalition” have been successful in defeating newly proposed medical and cosmetic taxes in many states.

Legislators need to be informed of the negative effects that taxes on medical procedures can cause to the integrity of the healthcare system and the state’s finances. These taxes disproportionately discriminate against women and the middle class, violate patient privacy and invite the government into the exam room, and creates a competitive disadvantage with other states. Ultimately, patients will seek out-of-state (and untaxed) medical care at a lower cost to them. This threat of medical tourism and the administrative burdens associated with collecting the tax has been enough to convince other states not to further pursue such taxes.