

Cosmetic Medical Procedures Tax: Myth vs. Reality

When the State of New Jersey passed a six percent tax on cosmetic medical procedures in 2004, state legislatures across the nation rushed to introduce similar legislation, encouraged about what they thought was a new and lucrative revenue source.

However, once states were forced to take a hard look at the implications of taxing health care procedures, they found that the tax is fiscally unreliable, an administrative nightmare, and sets a dangerous precedent for taxing any and all health care procedures in the future.

Lessons learned from cosmetic medical procedure tax proposals illustrate the public's misperceptions about who undergoes cosmetic surgery, demonstrates why a tax on medical procedures of any kind is bad public and health care policy.

MYTH #1

With cosmetic surgery receipts climbing each year, a tax on these procedures is a viable and dependable source of revenue for state coffers.

REALITY

One only needs to look at the New Jersey example to see that taxes on cosmetic medical procedures are unreliable, risky sources of revenue. New Jersey estimated that their tax on cosmetic medical procedures would generate \$24 million in its first year, but revised estimates place that figure at less than \$6.8 million – a 75 percent shortfall!

Compounding the problem of inflated estimates is the unusually high administrative burden of implementing, enforcing and collecting the tax. Doctors are burdened with collecting the tax and have to defer to insurance companies or untrained state bureaucrats to determine which procedures should be taxed. This convoluted process is extremely burdensome and expensive.

Additionally, New Jersey saw a number of its citizens travel the short distance across state lines to undergo cosmetic medical procedures and avoid the high price tag in New Jersey.

States should consider alternate funding sources that are more reliable than taxing cosmetic medical procedures.

MYTH #2

The majority of people who decide to undergo cosmetic medical procedures are rich people and celebrities who can afford to be taxed.

REALITY

Eighty-six percent of plastic surgery patients are working women. According to a 2004 study by the American Society of Plastic Surgeons, 60 percent of respondents planning to have plastic surgery within the next two years reported a household income between \$30,000 and \$90,000, and 40 percent of that group reported incomes ranging from \$30,000 to \$60,000.

A tax on cosmetic surgery discriminates against working women. Taxing medical procedures also means that health care – already costly enough – is more expensive for everyone.

MYTH #3

It is possible to classify and tax cosmetic medical procedures by whether they are medically necessary.

REALITY

Is it medically necessary to alleviate lower back pain through breast reduction surgery, which may also improve the appearance of the patient? Is it medically necessary to improve the physical appearance of accident and burn victims through cosmetic surgery? Is it medically necessary to remove excess and uncomfortable skin after potentially life-saving gastric-bypass surgery?

The people who have those surgeries know that they are beneficial to their physiological and psychological health.

A problem with the New Jersey tax, as other states found when trying to craft their own cosmetic surgery tax legislation, is that it is virtually impossible to draw a definitive line between what should be taxed and what should not. In addition, taxing medical procedures of any kind opens the door for legislators and state bureaucrats to tax any medical procedure in the future.

MYTH #4

Taxes on cosmetic medical procedures only affect a small percentage of the population.

REALITY

Taxes on cosmetic medical procedures will disproportionately burden working women. Additionally, the dangerous precedent the tax establishes could be felt by the entire medical community. If cosmetic medical procedures are taxable, what will be next? Will states begin taxing Lasick eye surgery and gastric bypass surgery? Taxes on cosmetic medical procedures open the door for states to tax any and all health care procedures. Legislators need to know that taxing any medical procedure is bad public and health care policy. The medical community needs to feel that it is free to diagnose and treat patients free from government interference. States need to fully understand the realities of taxes on cosmetic medical procedures before implementing policies that adversely affect patients, doctors and the entire health care community.