Health Product Exemptions

This fact sheet describes exemptions allowed for specific health products.

For information on how Minnesota sales and use tax applies to drugs and medical equipment, refer to the fact sheets listed below:

- **Drugs**, Sales Tax Fact Sheet 117A
- **Durable Medical Equipment**, Sales Tax Fact Sheet 117B
- **Mobility Enhancing Equipment**, Sales Tax Fact Sheet 117C
- **Prosthetic Devices**, Sales Tax Fact Sheet 117D
- **Grooming and Hygiene Products**, Sales Tax Fact Sheet 117F

**Baby products**

An exemption is provided for breast pumps, baby bottles and nipples, pacifiers, teething rings and infant syringes.

Diapers (cloth and disposable), diaper liners and nursing bra pads are exempt as clothing. Refer to Fact Sheet 105, Clothing, for more information.

Baby lotion, creams, ointments, oil, and powder are taxable, unless they meet the definition of over-the-counter drugs. Baby shampoo, soap, suntan lotion, sunscreen and toothpaste are taxable, even if a doctor or medical professional provides a prescription for it, or if the packaging includes a "drug facts" panel or a statement of active ingredients. Refer to Fact Sheet 117A, Drugs, and Fact Sheet 117F, Grooming and Hygiene Products, for more information.

**Chair lifts, ramps and elevators**

Chair lifts and ramps that qualify as mobility enhancing equipment are exempt from sales tax. Refer to Fact Sheet 117C, Mobility Enhancing Equipment, for more information.

Elevators and building materials used to install or construct a chair lift, ramp or elevator are taxable at the time of purchase. However, if they were authorized by a physician and installed in or attached to the owner’s homestead, they are eligible for a refund of the sales tax paid. To apply for a refund, file Form ST11, Sales and Use Tax Refund Request and Multiple Period Amended Return, and attach a physician’s prescription for the items purchased and copies of vendor invoices showing the tax paid. Form ST11 is available on our website or call our office for a copy.

**Diabetic equipment and supplies**

An exemption is provided for single-use finger-pricking devices for the extraction of blood and other single-use devices and single-use diagnostic agents used in diagnosing, monitoring, or treating diabetes. This exemption applies for both home and non-home use.

Reusable medical equipment, such as finger-pricking devices and blood glucose monitoring machines, qualify for exemption as durable medical equipment for home use. These items are taxable for non-home use.

**Kidney dialysis equipment**

Effective March 8, 2008, kidney dialysis equipment and repair and replacement parts for the equipment are exempt whether sold for home use or non-home use. Refer to Fact Sheet 117B, Durable Medical Equipment, for more information.

**Feminine hygiene products**

An exemption is provided for feminine hygiene products such as tampons, sanitary napkins and panty liners. However, feminine sprays and cleansing products, such as douches and wipes, are taxable. Yeast infection medications are usually exempt because they qualify for the over-the-counter drug exemption. Refer to Fact Sheet 117A, Drugs, and Fact Sheet 117F, Grooming and Hygiene Products, for more information.

**Food, diet and nutritional products**

Food and food ingredients are generally not taxable. Meal substitutes labeled with “Nutrition Facts” are not taxable. Dietary supplements, including vitamins and minerals, labeled with “Supplement Facts” are taxable. See Fact Sheets 102A through 102E for more information about food and beverage products.

This fact sheet is intended to help you become more familiar with Minnesota tax laws and your rights and responsibilities under the laws. Nothing in this fact sheet supersedes, alters, or otherwise changes any provisions of the tax law, administrative rules, court decisions, or revenue notices. Alternative formats available upon request.
Handicapped-accessible vehicles
If a vehicle is modified to make it handicapped accessible, parts, accessories and the labor to modify it are exempt from tax. To claim exemption on a vehicle that you’re buying, attach a statement describing the modifications and their value to the application for title.

If the modifications are made after the vehicle is purchased, the purchaser must give the seller a fully completed Certificate of Exemption, Form ST3. Form ST3 is available on our web site.

Pharmaceutical samples
Items that qualify for an exemption from sales and use tax are also exempt from sales and use tax when given by manufacturers or distributors as samples. Accounting records must clearly identify exempt samples from taxable samples.

If a manufacturer gives free samples of taxable items to distributors, the manufacturer owes Minnesota tax on their cost of the samples. If a manufacturer of taxable items sells samples of taxable items to Minnesota distributors who will give them away, the tax is due on the manufacturer’s selling price to the distributors.

Medical records
Charges for copies of medical records provided by health care facilities are taxable. The taxable amount includes retrieval fees even if these fees are separately stated on the invoice.

Combination sales (bundled transactions)
Prior to January 1, 2008, taxable and nontaxable items sold together for a single price were taxable. Example:
The sale of a first aid kit that included over-the-counter drugs and non-medicated Band-Aids was taxable because non-medicated Band-Aids are taxable.

However, beginning January 1, 2008, when a bundled transaction includes drugs, durable medical equipment, mobility enhancing equipment, over-the-counter drugs, prosthetic devices, or medical supplies, special rules apply. The sale may or may not be taxable. The sale is taxable if:

1) the seller’s purchase price of the taxable items in the transaction is more than 50% of the total purchase price of all of the items in the transaction, or

2) the seller’s sales price of the taxable items in the transaction is more than 50% of the total sales price of the transaction.

Sellers cannot use a combination of the purchase price and sales price when making the 50% determination.

Use tax due. Beginning January 1, 2008, use tax is due on the seller’s cost of taxable items included in the bundle if:

1) the retail sale of the bundled transaction is not taxable, and

2) the seller’s purchase price of all taxable items in the bundled transaction is more than $100.

Example 1. A medical stapler loaded with staples for sutures is sold for $10.00. The seller’s purchase price of the stapler is $2.00 and the purchase price of the staples is $6.00. The sale of the stapler is not taxable since the taxable item in the transaction (stapler) is less than 50% of the total purchase price of all the items in the transaction. The seller does not owe use tax on the taxable items in the transaction since their purchase price is less than $100.00.

Example 2. Surgical kits that contain a prosthetic device and disposable surgical instruments for implanting the prosthetic device are sold for $500.00. The seller’s purchase price of the non-taxable prosthetic device is $300.00 and their cost of the taxable surgical instruments is $150.00. Sales of the surgical kits are not taxable because the seller’s purchase price of the taxable items (surgical instruments) is less than 50% of the total purchase price of all of the items in the transaction. The seller owes use tax on their cost of the taxable items in the transaction since the taxable items cost the seller more than $100.00.

Brand names are shown for illustration purposes only and do not imply sole representation in any category.

References:
M. S. 297A.61, Subd. 38, Bundled Transaction
M. S. 297A.67, Subd. 2, Food and Food Ingredients
M. S. 297A.67, Subd. 7, Drugs; Medical Devices
M. S. 297A.67, Subd. 9, Baby Products
M. S. 297A.67, Subd. 12, Motor Vehicle Disabled Accessible
M. S. 297A.7, Subd. 17, Feminine Hygiene Products
M. S. 297A.70, Subd. 22, Residential Property Disabled Accessible

Be sure to see these fact sheets:
Drugs, #117A
Durable Medical Equipment, #117B
Mobility Enhancing Equipment, #117C
Prosthetic Devices, #117D
Grooming and Hygiene Products, #117F

Fact sheets that may be of interest:
Sales to Government, #142
Use Tax for Businesses, #146
Local Sales and Use Taxes, #164