

Health Care Facilities

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Sales Tax Fact Sheet 172

Fact Sheet

What's New in 2018

- We updated this fact sheet to include information on other health care facilities and clarified the exemptions.
- We clarified when sellers are required to collect local sales taxes. See Local Sales and Use Taxes on page 4.

This fact sheet outlines the sales and use tax exemptions for the following health care facilities:

- Hospitals
- Outpatient surgical centers
- Clinics
- Critical access dental providers
- Nursing homes
- Boarding care homes

Health care facilities

If your **hospital or outpatient surgical center** is approved as an Internal Revenue Code 501(c)(3) charitable organization, you are allowed an exemption from sales tax on certain purchases.

Note: This exemption does not apply to purchases made by clinics, physicians' offices, or any other medical facility not operating as a hospital.

If you are a **critical access dental provider** approved as a charitable organization and no more than 15 percent of your patients are covered by private dental insurance, you are allowed an exemption from sales tax on certain purchases. (See Minnesota Statutes 256B.76, subdivision 4.)

Note: Purchases to provide services you are authorized or required to provide by law, including administrative functions, are nontaxable.

All other purchases made to provide non-qualifying services are taxable. The following do not qualify for the exemption:

- Purchases to operate a gift shop, fitness center, restaurant, café, or cafeteria
- Equipment leasing or facility leasing not used principally by the hospital, outpatient surgical center, or critical access dental provider to provide qualifying services

Hospital-owned clinic

A hospital-owned clinic that is approved as a charitable organization and licensed as a hospital is considered a hospital for purposes of this exemption if the hospital that owns the clinic also qualifies for this exemption. (See IRS Code Chapter 144.)

Rural health clinics

Rural health clinics may qualify for the exemption if approved by Centers of Medicare and Medicaid Services as provider-based. (See Code of Federal Regulations 42, section 405.2401(b).)

Ambulance services

If the ambulance services are billed under the hospital's Medicare provider number and are a part of and operated by the same legal entity as the qualifying hospital, the ambulance services are included in this exemption.

If the ambulance service is separate from the hospital, see [Fact Sheet 135: Fire Fighting, Police, and Emergency Equipment](#) for more information.

Government facilities

Purchases by hospitals and nursing homes owned and operated by local government entities or the University of Minnesota are exempt.

Facilities owned by the State of Minnesota do not qualify for this exemption.

Nursing homes and board care facilities

Purchases made by a qualifying nursing home or boarding care facility are exempt if all the following are met:

- The nursing home is licensed by the state or the boarding care home is certified as a nursing facility under federal law.
- The organization is a tax-exempt 501(c)(3) organization.
- The facility is one of the following:
 - certified to participate in the medical assistance program
 - certified to the commissioner of revenue that it does not discharge residents due to the inability to pay
 - certified that the facility is exempt from property tax

Note: This exemption does not apply to leased vehicles except for certain vehicles designed to carry at least 10 people and used to transport residents and property of the facility.

To receive formal authorization, you must apply for the exemption by completing [Form ST16A, Application for Sales Tax Exemption for Nursing Homes and Boarding Care Homes](#).

Other nonprofit organizations

Nonprofit organizations operated exclusively for charitable purposes are also allowed an exemption on purchases when granted exempt status by the Minnesota Department of Revenue. (See the Nonprofit Organization Industry Guide.)

How to claim exemption

Provide the seller with a completed [Form ST3, Certificate of Exemption](#), to claim the exemption from sales tax.

What purchases are taxable?

You must pay sales or use tax on:

- purchases of prepared food, soft drinks, candy, dietary supplements, and vending machine food
- lodging
- purchases or leases of motor vehicles

- building or construction materials used in constructing buildings that not used principally by the hospital, outpatient surgical center or other nonprofit organization
- building, construction, or reconstruction materials purchased by a contractor as part of a lump-sum contract or similar contract with a guaranteed maximum price for labor and materials

For-profit health care facilities and health care professionals

If you do not qualify for the exemptions explained in the previous sections, you must pay sales or use tax on the purchase, lease, or rental of taxable items. Examples include:

- all medical equipment, including durable medical equipment, repair and replacement parts, and disposable medical equipment
- administrative supplies and equipment (computers, software, furniture for rooms and offices, safety equipment, toys, and books)
- laboratory supplies and equipment
- medical manuals, books, charts, and pamphlets
- taxable services (building and grounds cleaning and maintenance, laundry, and telecommunications services)

Medical supplies

Purchases of medical supplies by any licensed health care facility or licensed health care professional (for-profit or nonprofit) are exempt from tax if they are used directly on patients or residents as part of treatment. This exemption applies to:

- adhesive and non-adhesive bandages
- gauze pads and strips
- cotton applicators
- antiseptics
- eye solutions
- other similar supplies used directly on residents or patients

This exemption does not apply to:

- tongue depressors
- lancets
- electrodes
- rolls of paper to cover exam tables

Note: Even though these items have direct contact with the patient, they are not part of treatment – they are used for diagnostic or sanitary purposes.

Medical supplies do not include durable medical equipment, repair or replacement parts for durable medical equipment, or disposable medical equipment.

Disposable or single use medical equipment and surgical instruments do not qualify for the medical supplies exemption. Other items that are not included in the exemption are laboratory supplies, radiological supplies, and other items used in providing medical services.

For more information, see [Fact Sheet 117B, Durable Medical Equipment](#).

Needles and syringes

Reusable and disposable needles and syringes are not durable medical equipment. These items qualify for the medical supplies exemption when they are used to treat a patient.

Examples:

- A needle used to give a flu shot qualifies for the medical supplies exemption because it is used to treat the patient.
- A needle or syringe used to draw blood for testing does not qualify for the exemption because it is used in diagnosis and does not treat the patient.

Local Sales and Use Taxes

If you are located in or make sales into an area with a local tax, you may owe local sales or use tax. For more information, see [Fact Sheet 164, *Local Sales and Use Taxes*](#).

Legal References

Minnesota Statutes

256B.0625, subd. 9(b), Dental services

256B.76, subd. 4(b), Critical access dental providers

297A.68, subd. 28, Medical supplies

297A.70

subd. 2, Sales to government

subd. 4, Sales to nonprofit groups

subd. 7, Hospitals, outpatient surgical centers, and critical access dental providers

subd. 18, Nursing homes and boarding care homes

Revenue Notices

05-12, Exemption for Durable Medical Equipment; Definition of “Home Use” and “Medical Purpose”

17-03, Hospitals, Outpatient Surgical Centers and Critical Access Dental Providers

Other Fact Sheets

117A, *Drugs*

117B, *Durable Medical Equipment*

117C, *Mobility Enhancing Equipment*

117D, *Prosthetic Devices*

117E, *Health Product Exemptions*

117F, *Grooming and Hygiene Products*

142, *Sales to Government*

146, *Use Tax for Businesses*

164, *Local Sales and Use Tax*

Industry Guides

Nonprofit Organizations