

Minnesota revenue notice number 00-07

MinnesotaCare Tax – Hospital Gross Revenues

This revenue notice clarifies the term "hospital" under *Minnesota Statutes*, section 295.50, subdivision 7, and specifies which gross revenues are considered hospital revenues for purpose of the MinnesotaCare tax. Hospital gross revenues that are received for patient services are subject to the MinnesotaCare hospital tax. For a definition of "patient services" please refer to Revenue Notice # 94-03. When the hospital acts as a billing agent, the receipts may be subject to other MinnesotaCare taxes (e.g., health care provider tax). Certain gross revenues may be exempt under other provisions of Chapter 295.

The MinnesotaCare hospital tax is imposed on gross revenues received by a hospital in any one of the following situations:

1. All gross revenues for patient services that are required to be provided by a hospital under state and federal laws and regulations governing hospitals. These services include pharmaceutical services, radiology services, laboratory services, and food and dietetic services (42 C.F.R. § 482.25 to § 482.28);
2. All gross revenues for patient services by hospital components that operate under the hospital's Medicare certification number;
3. All gross revenues for patient services that are provided by hospital employees or
4. All gross revenues billed and received by the hospital for patient services provided by an independent contractor unless the hospital acts merely as a billing agency.

Examples of Taxable Services

- A hospital provides lab services. The gross revenues for these services are subject to the hospital tax since lab services are required to be provided by a hospital under federal law.
- A hospital-based ambulance service provides patient services. It bills Medicare under the hospital's Medicare number. The gross revenues for these services are subject to the hospital tax because they are billed under the hospital's Medicare number.
- A dietitian who is employed by the hospital provides patient services. The gross revenues for these services are subject to the hospital tax because a hospital employee provides the service.
- A physician contracts with the hospital to provide services at the emergency room. The hospital bills for the physician services and pays the physician for the time the physician staffs the emergency room. The gross revenues for these services are subject to the hospital tax because the gross revenues are received by the hospital.

Examples of Nontaxable Services

- A clinic that is located at the hospital provides patient services. The hospital bills for the services under a separate Medicare number. The gross revenues remitted to the clinic for these services are subject to the health care provider tax and not to the hospital tax because the service is not required to be provided by the hospital; it is billed under a separate Medicare number; and a hospital employee does not provide the service.
- A physician contracts with the hospital to provide patient services. The physician bills the patient separately. The gross revenues for these services are subject to the health care provider tax and not to the hospital tax because the gross revenues are not received by the hospital.
- A health care provider sends a patient for a blood test at a hospital lab. The health care provider bills the patient and pays the hospital lab for its services. The gross revenues for these services are subject to the health care provider tax and not to the hospital tax. The hospital may exclude

the payment from tax because it was received from a health care provider who is liable for the tax.

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