

Department of Revenue

Revenue Notice # 12-02: Sales and Use Tax – Home Health Care Services – Combination Contracts

Background

Home health care service providers often provide a combination of home medical services, personal care services, and services such as laundry and residential cleaning to their clients. *Minnesota Statutes*, section 297A.61, subdivision 3, paragraph (g) (6) (i) and (iii), define “sales and purchases” to include laundry services and residential cleaning, maintenance, and disinfecting services such that these services are subject to sales and use tax. Sales and use tax, however, does not apply to charges for home medical care services or personal care services. This revenue notice explains the department’s position when these taxable and nontaxable services are provided as part of a home health care service contract.

Department Position

When a home health care service contract provides for a combination of medical care, personal care, laundry and residential cleaning services that results in the inclusion of taxable and nontaxable services for a single charge, and the laundry and residential cleaning services included in the contract are provided to clients because their illness, disability or physical condition creates a need for such services at their residences, the taxable laundry and cleaning services are considered incidental to the nontaxable home medical care services and personal care services being provided, and the entire contract price is exempt from sales and use tax.

For purposes of this revenue notice, “home medical care services” means medical care services provided to ill, disabled, or infirm persons in their residence whether the client resides in a private home, nursing home, or assisted living care center. “Medical care services” includes all services rendered because of illness or disability, which are reasonably necessary for care, comfort and proper treatment of the client. If the services are certified by Medicare/Medicaid and the charges for the services are reimbursed in full by Medicare/Medicaid, the department will presume the services are medical care services. For purposes of this revenue notice, “personal care services” includes services such as grooming, dressing, preparing meals, providing shopping assistance, accompanying the client to medical appointments, and providing companionship, but do not include massages that are taxable under *Minnesota Statutes*, section 297A.61, subd. 3.

A home health care provider sometimes contracts with a third party to perform laundry, residential cleaning, or other taxable services for the provider’s client. If the home health care provider has an agreement with that client in which multiple services, including those taxable services, are provided for a single charge, then the home health care provider, in contracting with the third party to perform those services, cannot purchase those services exempt for resale. However, the home health care provider may purchase those services exempt for resale if the home health care provider’s agreement with its client separately itemizes the taxable services, instead of having a single charge for all services.

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