

Minnesota Department of Revenue

Revenue Notice # 17-03: Sales and Use Tax – Exemptions – Hospitals, Outpatient Surgical Centers and Critical Access Dental Providers; Revocation of Revenue Notice # 98-02

Introduction

Nonprofit hospitals, nonprofit outpatient surgical centers, and critical access dental providers as defined in *Minnesota Statutes* section 256B.76, subdivision 4(b), do not qualify for the sales tax exemption under *Minnesota Statutes* section 297A.70, subdivision 4. This exemption applies only to nonprofit organizations organized and operated exclusively for charitable, educational or religious purposes.

As described below, nonprofit hospitals, nonprofit outpatient surgical centers, and nonprofit critical access dental providers qualify for the sales tax exemption under *Minnesota Statutes* section 297A.70, subdivision 7, for qualifying purchases.

Department Position

Minnesota Statutes section 297A.70, subdivision 7, allows a sales tax exemption for qualifying purchases made by the following nonprofits:

- hospitals,
- outpatient surgical centers, and
- critical access dental providers.

Qualifying purchases are purchases made to provide services that these nonprofits are authorized or required by law to provide, including any related administrative functions.

All other purchases made to provide non-qualifying services are taxable. For example, purchases made for the operation of a gift shop, fitness center, restaurant, cafe, cafeteria, or equipment leasing or facility leasing not used principally by the hospital, outpatient surgical center, or critical access dental provider to provide qualifying services do not qualify for exemption.

Non-eligible entities

This exemption does not apply to purchases made by clinics, physicians' offices, or any other medical facility not operating as a nonprofit hospital, nonprofit outpatient surgical center, or critical access dental provider. This exemption does not apply to any other medical facility.

Hospital-owned clinics are eligible entities under certain circumstances

A hospital-owned clinic that is approved as charitable under section 501(c)(3) of the Internal Revenue Code, and licensed as a hospital under *Minnesota Statute* chapter 144, is considered a nonprofit hospital for purposes of this exemption if the hospital that owns this clinic qualifies for either the exemption under *Minnesota Statutes* section 297A.70, subdivision 7, or the exemption under *Minnesota Statutes* section 297A.70, subdivision 2(a)(3).

Rural health clinics are eligible entities under certain circumstances

Rural health clinics, as defined in *Code of Federal Regulations*, Title 42, section 405.2401(b), may qualify for this exemption if approved by Centers for Medicare and Medicaid Services as provider-based under *Code of Federal Regulations*, Title 42, section 413.65(a)(2).

Note: Hospitals and rural health clinics that do not qualify for the exemption under *Minnesota Statutes* section 297A.70, subdivision 7, do qualify for the exemption under *Minnesota Statutes* section 297A.70, subdivision 2(a)(3), if the hospital or rural health clinic is owned and operated by a political subdivision of the state.

This Revenue Notice revokes and replaces Revenue Notice # 98-02.

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RYAN CHURCH, Deputy Commissioner