

Minnesota revenue notice

Revenue Notice # 93-04 MinnesotaCare

(Update: Revenue Notice #93-04 has been revoked by Revenue Notice #08-11.)

INTRODUCTION

This revenue notice deals with the two percent tax that is imposed on the total amounts (gross revenues) received by hospitals for inpatient and outpatient services. Hospitals will have to pay the tax on gross revenues generated by services performed after December 31, 1992.

INPATIENT AND OUTPATIENT SERVICES

1. Items and Services

Minnesota Statutes, section 295.52, subd. 1 provides that the tax imposed on each hospital is equal to two percent of its gross revenues. Section 295.50, subd. 3(1) and (2) defines gross revenue as the total amounts received in money or otherwise by hospitals for inpatient or outpatient services as defined in Minn. Rules 4650.0102, subp. 21 and 29.

It is the position of the Department of Revenue that inpatient and outpatient services mean both items and services furnished by the hospital to an inpatient or an outpatient. The following are examples of items that are taxable when furnished to an inpatient or outpatient of the hospital:

- Drugs--prescription and nonprescription drugs
- Supplies--Examples: bandages, slings, diapers, heat and cold application devices.
- Appliances and Equipment--Examples: crutches, walkers, prosthetic devices.

2. Emergency Room Services

Emergency room services are taxable to a hospital. Services include both services and items.

3. Prepayments for Services

Generally obligation for the tax arises when payments are received by the hospital. However, payments may have been made on or before December 31, 1992 for services to be administered after December 31, 1992.

All gross revenues generated by services performed after December 31, 1992 are subject to the tax regardless of when payments were made. Payments made on or before December 31, 1992 will be considered as January 1993 receipts for estimated tax purposes.

4. Combined Operations

A hospital may be under joint ownership with business entities that are not subject to tax in 1993 (e.g. clinics, ambulance services or other health care providers). Only the gross revenues generated by the hospital's inpatient and outpatient services are subject to tax in 1993.

Michael E. Boekhaus, Director
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